



UNIONS, MANAGEMENT AND THE PUBLIC

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Preface

THE STIMULUS for this book arose from a need which faced the editors as teachers of courses in labor problems. We had found great inspiration in the writings of many of the authors whose thoughts are reproduced here, and wanted our students to share that experience. There were not sufficient copies of these works, however, for all students, particularly in the large classes of recent years; many of the books were out of print.

In discussing this situation with our colleagues in other colleges we discovered that many of them were facing the same problem. Discussions with leaders in management, unions, and government indicated that they too desired a single source in which they might find authoritative presentation of materials on problems of mutual concern to them.

Once we had embarked on the task of making classic discussions of labor problems more readily available it became obvious, if such a collection were to be widely useful, that we would have to prepare a systematic series of readings organized around the topics normally considered in the discussion of labor problems. Moreover, a proper balance and timeliness in the materials required questions not only from classic sources but also from contemporary authorities.

Each instructor has his own conception of the essential topics and their proper organization for presentation. We have tried so to arrange the materials that they provide a logical pattern for an introduction to the critical issues in labor and management relations, at the same time making the divisions sufficiently detailed so that those who prefer may deal with the topics in a different order.

Since the widespread existence and operation of unions are major features of contemporary labor problems, our pattern of development focuses on this fact. This book is concerned with the origins, development, organization, and functions of unions; the impact of their policies and practices on the lives of workers, management, and the public; the issues their presence raises in the operation of industry and the economy as a whole, and in the maintenance and improvement of the American system of social and political organization.

In relating all topics to this theme we have endeavored to focus and hence to clarify the significance of the many factors and forces at work in this critical area of our national life. The book should be useful, therefore, not only to college teachers and students but to leaders in management and unions and to the public.

and its representatives who face the responsibility for the integration of the process of collective bargaining and the institution of the union into the other processes and institutions of our common life.

The choice of readings could not rest merely on the answer to the question, "Who has provided the best discussion of this topic?" A further consideration was whether such discussion was of a length and in a form adaptable to a book of this character. Many excellent discussions could not be used, either because of length or because editing would have destroyed the logic or continuity of the author's presentation. The editors have gained insight into the issues here presented by reference to many writings not included in this book. Moreover, our best efforts may not have disclosed writings which might present a subject in a better fashion than do those selected. We hope that such writings will be called to our attention so that revisions may profit by them.

One other matter should be made clear. The selections have not been made either to support or to attack unions and their practices. Nor have they been chosen because the editors agreed with the position of the authors. Our single purpose has been to reveal the issues and facts which must be considered in the attempt to "solve" the labor problem in present-day America. The points of view and convictions of partisans are as realistic as the figures of a statistical table—they are a part of the body of "hard cold facts" which must be understood and dealt with. The selections have been made not to support the editors' personal conclusions but to provide the stimulus and essential information for discussion of the problems which need appraisal before the issues of the labor problem can be resolved in the public interest.

The editors are indebted to the authors whose works are quoted and to the publishers whose permissions are acknowledged in the footnotes to each selection for their generous consent to the reprinting of materials used. That consent has been given in the hope that this method of calling the attention of college students and the reading public to the thought given to the labor problem would result in a deeper public understanding of that problem. We trust that their hope will be realized.

The editors are also indebted to Mary Bakke, Catherine Kerr, Ernest Dale, and Jack Mansfield, who assisted them greatly in exploring the literature of the subject, and to Gladys Archibald, Mary Clark, Ruth Mansfield, Gladys Merrifield, Betty Ramey, Markee Thomas, and Frances Underwood, who helped in technical preparation of the materials for publication.

E. WIGHT BAKKE
CLARK KERR

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Section I.

DEVELOPMENT OF UNIONS

1. Sources of the Union Movement

NEARLY a century and a half ago the first unions introduced collective bargaining into the relations between employers and their employees in America. For over a hundred years, men debated whether it was necessary, convenient, wise, or right for workers to organize and bargain collectively. It was an interesting argument. It exposed most of the major premises of the philosophies of the disputants. It also amply stimulated the emotions of the parties, since they were debating matters which profoundly affected deep-seated interests of both. Not arguments but events have determined whether unions and collective bargaining were to become established in America. They are established. The question is no longer, "Shall we have unions and collective bargaining?" but rather "What kind of unions and collective bargaining shall we have?" *are*

Before addressing ourselves to the answer to this second question, however, we should consider the ways of explaining unionism which were expressed in the hundred and fifty years of argument over the first question. For we inherit those ways, and unless we are aware of their relevance or lack of relevance to the second question, we are likely to become confused.

We cannot afford to make that mistake, for the union is one of the most powerful and challenging of our contemporary social and economic institutions. It is challenging because its practice and policy affect in vital ways the efficient operation of productive enterprise; because it is a major instrument for establishing price relationships and affecting the distribution of income; because it is a powerful instrument for the rearrangement of economic rights; because it can contribute greatly either to industrial and social stability and peace, or to industrial and social conflict; because it can help either to make effective the processes of democracy or to destroy those processes; because as an institution it offers its members a basic adjustment to the economic, social, and political problems of working-class life.

What are some of the ways of explaining unions which we have inherited from the past century? We may consider several more or less rule-of-thumb popular explanations. The first of these is that unions result from the efforts of agitators. If it were not for these agitators, the workers would never bother their heads about union organization. Consequently, if we could find some way of removing the agitators, unionism would make little headway. The agitators create the discontent upon which organization feeds.

There is this much truth in this point of view: Unions are promoted. At the present time they are seldom the result of spontaneous behavior or of a group's unanimous conviction that they should have a union. But although this point of view may be buttressed by observations from experience, it overlooks three very important considerations. The first is that all social institutions are in their origin "promoted." The Christian church has grown under the stimulus of centuries of evangelism. The public-school system was certainly urged upon America by generations of "agitators." The American Manufacturers Association and the Chamber of Commerce of the United States took a good deal of promoting before they were firmly established. Our form of government had to be sold to the people of this country, and the sales resistance was very strong in some quarters. Unions are not unique among social institutions in being promoted.

Another significant consideration is, "Why do the agitators arise?" If we could by some device "liquidate" every agitator of the present generation, are the conditions producing them such that new agitators would immediately appear?

The most significant consideration, however, is that agitators need a following. Unless their program meets the needs of those whose support is necessary, they cannot gain a permanent following. Organizations cannot be "promoted" into permanent existence by agitation or agitators. They can be stimulated; but unless they hold promise of meeting recurring and vital needs better than existing techniques, they cannot gain converts. Moreover, unless the promise is fulfilled, they cannot hold members. Even then, they must not introduce too radical changes in the pattern of living or they are rejected as inconsistent with the normal practices, associations, codes, and philosophy to which the potential members are accustomed. If organization does take root, one may be fairly certain that it is grounded, at least originally, in the fertile soil of conscious need.

This leads us to the second rule-of-thumb explanation of unions: "They are a product of dissatisfaction with wages, hours, and working conditions." Some offer this as an explanation out of a real understanding of how close many workers live to the lowest margin of economic safety, physical health, and psychological satisfaction. Others accompany this explanation with the exasperated and critical phrase, "Some folks are never satisfied."

A conclusion frequently drawn from this point of view is, "If workers are treated right, you won't have any trouble from unions, because there will be no need for unions." A practical difficulty which arises in accepting this conclusion is that unions do spring up and take root in very many plants in which "the workers are treated right" in accordance with the standards of farsighted and wise employers. The first organizing situation studied by the Division of Labor Studies at the Yale Institute of Human Relations was in such a plant. Yet during six months 90 per cent of the workers became members of the union. Some of the reasons are suggested in the selection "Why Workers Join Unions" below. They certainly much more broadly define what is "right" in wages, hours, and working conditions than most people do who give this explanation of unionism.

Unions are not solely economic pressure groups. Moreover, even if they were, the economic forces that play upon workers are frequently beyond the control of a single employer and hence call for an instrument of control which reaches beyond his plant.

There is truth in the explanation that unions are the product of dissatisfaction with wages, hours, and working conditions. When a new adjustment to men's needs is initiated, it is good strategy for the initiator to make his appeal in terms that men can understand, to start where they live. Wages, hours, and working conditions certainly comprise a most important part of the needs of workers. But they are not the whole.

Another rule-of-thumb explanation of unions asserts that they are one aspect of the class struggle of workers against exploitation. In its most exaggerated form this explanation credits unions with being the forerunners of the revolution to destroy capitalism and the wage system.

A conclusion often derived from this point of view is that unions need not exist if workers could just realize that the interests of workers and management were ultimately the same; if we could correct the worst conditions of labor which depress and discourage workers and make them lose confidence in capitalism; if we could arrange for their participation in ownership, give them a stake in the country as it is; if we could discourage the hardening of class lines, and above all deport the communist agitators. Men with this point of view may refer to unions as a European importation inconsistent with the "American way of life" characterized by individual initiative, free mobility, and lack of class lines.

One difficulty with this explanation is that trade unions in England and America started among the most privileged workers, not among the most underprivileged, and that throughout the nineteenth century the trade-union movement was maintained by this same group. Moreover, it is a matter of record that trade-unionism in both of these countries, far from being a hotbed of revolution has until recently consistently attempted to purge its ranks of revolutionists, and to purge its policy of the more revolutionary socialist doctrines.

Certainly unions appeal directly to class interests and achieve strength through the development of class solidarity. Unions are instruments adapted to meeting the problems of workers. They have made full use of the idea that labor is exploited in promoting their remedy (although particular unions have at times neglected the most exploited groups of labor). Certainly there are more incipient revolutionary tendencies and more declared revolutionists in a union than in a bankers' association. It would be strange if an organization trying to change the balance of economic rights did not generate and make use of more revolutionary ideas than an organization designed to protect and operate within the existing balance of economic rights. But for the most part these revolutionary tendencies, even where they exist, are effects and not causes. English and American union history are eloquent in their testimony that in these countries the unions, far from being the spearhead of revolution, have proved to be a shield against it; so much

so that Karl Marx was once moved to characterize English trade-unionists as "schweinehunde," and American trade-unionists have perennially disappointed several generations of Marxists.

We could list other rule-of-thumb explanations of unionism. Every one of them contains some truth and is helpful in explaining what happened in certain situations. If they really explained the origin and persistency of unionism in America we might be justified in stopping with them, accepting unionism as an accomplished fact nevertheless, and set about learning how to integrate it with our other institutions. But they do not provide an adequate explanation, and our consideration of how to live with unions will scarcely result in creative conclusions consistent with progress in democratic living unless we search for explanations whose roots go deeper into our economic and social organization, the worker's way of life, the objectives he seeks, and the obstacles and opportunities he faces.

Representative examples of such explanations are given in the readings which follow in this section. It may usefully introduce these readings, however, to indicate that in general they seek to interpret unionism as an institutional device which has demonstrated its survival value as an adjustment to actual and continuing needs of workers in capitalistic industrial society.

What are some of these actual and continuing needs? First, there is a need for control of the labor supply and for adherence to a common rule in order to prevent cutthroat competition among workers in the labor market. This need is particularly felt by a "commodity" like labor which is perishable and whose supply is frequently greater than the demand.

Second, there is a need for making the labor contract realistic in a culture one of whose bases is freedom of contract. Specifically, trade-unionism seeks to establish greater equality of bargaining power in contract negotiation by substituting collective for individual bargaining. Moreover, through the trade agreement it seeks to clarify and specifically define the terms of employment which in individual bargaining are usually "just understood."

Third, there is a need for a code of industrial law to protect the worker's source of livelihood, his job. Slichter of Harvard has referred to the terms of the trade agreement as a body of industrial jurisprudence. In effect, this does for the job holder what property law does for the property holder. It defines a due process of law which must be observed in the taking of, or changing the value of, his source of livelihood. It defines his rights in and to his job.

Fourth, there is a need for an effective instrument with which to represent the worker's interest in a readjustment of economic rights both in industry and in the community and nation.

Fifth, there is a need for an instrument for dealing with management which is realistically designed to defend the worker's interests in view of the nature of contemporary industrial enterprise. In many important areas of employment, for instance, the worker finds that his "employer" is not an individual, but actually another group of organized employees labeled "management." The whole devel-

oping system of corporate control and administration implies the need for a parallel development in the relationship of the individual worker to this system.

Finally, there is the need for a medium for realizing the worker's objectives, for regularizing the practices designed for this purpose, for providing associations, codes, and a philosophy supporting this endeavor, a medium realistically consistent with the worker's life experience.

As long as such needs are present some satisfaction of them will be sought, whatever the weakness of the method or the opinion concerning it held by individual workers or employers or the man on the street. The union is one social experiment which has been tried. It is far from perfect. It has been sufficiently successful, however, to demonstrate its survival value. If it were by some magic to be eliminated from America, some other method, designed for the same purposes, performing the same tasks but called by another name, would inevitably be tried.

But this is not all. At least three additional considerations must be kept in mind.

First, although an institution develops in response to a need felt by a sufficiently large group of people to support its development, the institution soon becomes interested in maintaining itself. This interest can be rationalized as the acquisition of strength and power better to fulfill its responsibility toward those whose needs called it into being. However sound that rationalization may be, many of the institution-building activities will frequently seem to outsiders only distantly related to the needs of the workers. Witness a fairly prevalent middle-class reaction to unions: "They're all right as long as they stick to improving wages and working conditions, but when they get hungry for power and get enough power so they can dictate—why then, that's going too far. What does the closed shop and the checkoff and that magnificent office building and the Political Action Committee have to do with meeting the workers' needs, anyway?" Well, they are institution-building devices. They bear the same relation to the workers' needs as the manufacturer's attempt to get special privileges in the purchase of supplies and the sale of goods, or his development of collection systems, or the improvement of his financial position bears to the consumers' needs. They and other institution-building efforts bear the same relationship to the service for workers as a university's building Gothic structures, awarding honorary degrees, attempting to maintain tax exemption, and even maintaining a consistently prominent football team bear to "the training of young minds." This is no place to justify any of these efforts. Justification, if any, is found in the theory that the stronger the institution the better it can serve its members, its customers, its students. We ought not to be surprised if a substantial part of a union's activities is concentrated on building its own strength.

Second, once social institutions have acquired a management, the managers have a vested interest in their jobs. Moreover, since ambitious individuals are found among those managers some of whom may be unscrupulous in pursuit of

their ambition, one may expect such individuals to exploit and on occasion actually to betray the interests of the people they are presumably obligated to serve. Churches, schools and colleges, corporations, clubs, political parties, and governments, as well as unions, show this tendency. They have had repeatedly to guard against it, discipline the culprits, and restore confidence in their members, stockholders, supporters, and the general public.

The point made here is not that all institution-building in a union is justified or that the drive for personal power among union officers is excusable. The point is that such tendencies appear naturally in all social institutions and that they do not urge that the institution be abolished but that it be improved.

A third consideration in understanding the nature and practice of any particular union is that it is not merely a part of a general response to general needs. It is a particular response to a particular set of needs felt by a particular set of workers. Any attempt to make an all-inclusive definition and characterization of unions, their objectives, their policy, their tactics runs head on into this fact. It is precarious, therefore, to characterize a particular union by reference to general principles or to generalize about all unions from the observation of particular unions.

The following selections represent the conclusions to which students of the labor movement have come when they sought to answer the question, "Why do unions arise and persist in our society?" To some the very nature of industrial society and the consequences flowing from the economic division of labor and its organization into profit-making institutions adequately answer the question. Others have emphasized the human status and functional relationships resulting from the economic activity characteristic of modern industrial life. Many have called attention to the psychological and social frustrations which workers seek to eliminate or reduce by group activity. No one of these conclusions can lay claim to being *the* theory of the labor movement. Taken together, they reveal the many and complex sources in society and the individual from which this movement receives its stimulus and by which it is shaped.

ECONOMIC SOURCES

EMIL LEDERER¹

Transformation in the Worth of Labor

Emil Lederer was a German economist, formerly at the New School of Social Research, New York City. He has contributed illuminating analyses of the institutional factors determining economic and political behavior.

The valuation placed upon labor is a significant element in the ideology dominating any period, for it reflects the social structure as well as the scale of social values. Primitive peoples, especially warlike races, often display a marked disinclination toward labor; the necessary work devolves upon the women and upon foreigners, particularly those captured in wars and feuds, who are treated as slaves. It is only in a hierarchically organized society, however, that labor acquires a specifically social character. . . .

The lowly position of labor in most ancient societies was the result in large part of the institution of slavery. Since citizens and slaves worked side by side, for instance, as artisans, the contemptuous attitude toward slave labor extended also to the work of the free citizen. In Rome the emergence of the skilled laborer and even of the skilled slave effected a loosening of the system, for it became necessary to give to slaves possessing special capacities a cer-

tain interest in their work, to provide them with better living conditions, considerable independence and at least the possibility of purchasing their freedom. This development, which undermined the old organization of labor, serves to substantiate the contention that real slave labor can be only undifferentiated mass labor controlled by physical force.

With the disintegration of slavery, hastened and extended by the appearance of Christianity, the way was paved for a conception of labor as possessing peculiar dignity and worth. The early Middle Ages marked the rise of the guilds with political rights and defensive capacities unknown to the corporations of antiquity. The guilds soon became the carriers of a peculiar ethics of labor. They created the structure within which developed the professional pride, the appreciation of one's own labor, the justification of wealth by labor, which distinguish the bourgeois from the feudal mentality. The fact that labor was valued only as professional labor was another result of the guild organization of society. Although the guilds did extend into more fields than is generally realized, all labor outside of corporations and guilds was looked down upon and abandoned to the arbitrary action of officials. The independent artisans, the "outsiders" (*Bonhasen*), the workers not legalized by guild organization but nevertheless often of great importance to the economic system, were held in contempt—until through a radical change in ideology free enterprise attained the highest esteem; while guilds and trade organizations sank into disrepute.

¹ From Emil Lederer, "Labor," *Encyclopedia of the Social Sciences*, by permission of The Macmillan Company, publishers, New York, copyright 1937, Vol. 8, pp. 615-20.

The powerful influence of the guilds and the political alliances they built up, at first spontaneously and later consciously, brought about a new attitude on the part of organized religion; the church now became a staunch supporter of the guild system. Christianity, however, like all other ethical religions was (according to Max Weber) originally anti-economic; it recognized no dignity in labor and looked upon work as only a means of livelihood. The New Testament exhortation to "walk worthy of the vocation wherewith ye are called" (Eph. IV: 1) is an expression of indifference. For the monks labor became a means to the ascetic life but it had no positive meaning, no value in itself. Although the guilds in the cities were able to temper this indifference to some extent, no complete transformation was effected until the rise of Protestantism. With the abolition of the cloisters Christian virtues could be practised only within lay institutions. An explicitly positive valuation of labor and its products and therefore also an esteem for economic dynamics itself first found expression in Puritanism. Calvin denied the independent importance of "good deeds," holding that these do not guarantee the achievement of grace, of eternal felicity, which is determined by an obscure and impenetrable decision of God but is nevertheless indicated by the success of the individual in the affairs of the world. An individual can best attain the state of grace by working "methodically" in everyday life for the glory of God. Asceticism, particularly in the form of rational work, became the supreme duty; and thus was introduced into everyday life esteem for labor, for the product of labor and finally for wealth. Wealth was valued not as a means of enjoyment but as the warrant of a mode of life agreeable to God. This approach, however, led

soon to the positive valuation of abstract acquisition, of profit for its own sake; in short, of a capitalistic conception of life. . . .

SOCIAL STATUS AND THE VALUE OF LABOR

The various attitudes toward labor are of course very closely dependent upon the social and economic status of the laboring masses in any particular society, while at the same time they help to create that status. The conception of the value of labor constitutes a determinate ideology, the source of which is not to be found merely in the actual state of the society or in the interests of its members. It has already been pointed out that in ancient Greece the institution of slavery necessarily diminished the esteem for labor, even influencing the whole structure of society, which came to be based on local instead of professional organization. This contempt for labor completely erased the differences between skilled and unskilled labor which are so important in modern thinking. In India—to choose a totally different social system—the religious castes were at the same time bearers of definite labor functions, and thus quite irrational values were placed upon different kinds of labor. Each of the several thousand castes has its own *dharma*, or code, which determines its rank and which is itself conditioned by the character of the profession. Thus types of labor which are respectable in Europe are in India regarded as very low when they are performed by low or "impure" castes. On the other hand, impurity of caste often reflects the character of the profession.

The valuation of particular kinds of labor has varied greatly throughout history. In Japan and China agriculture is the most respectable form of manual labor. In Europe the development of urban culture resulted in a contempt for agricul-

tural work. While agriculture is praised as the source of means of subsistence, workers on the land, especially peasants, are looked upon with a certain disdain because of their lack of culture. European feudalism especially built up an ideology according to which only the idle life of the aristocrat was noble; the peasant, "the coarse fellow" and the city worker, the Philistine and the petty trader, were all treated with contempt. Thus a feudal system based upon the labor of others leads to an ideology which scorns all labor and so furnishes a moral justification for its own existence.

Until very recently the learned professions have been regarded quite differently from other forms of labor. Indeed as long as the ability to read and write was rare, the profession of writer or even more of jurist, priest, physician or state official was not considered as "work." If the members of these learned professions often held a not very enviable position in the courts of princes they were treated with marked respect by the people. Only bourgeois society has really emancipated these professions and it has even put them in a dominant position for long periods. The fact that they lost caste in the second half of the nineteenth century was due in part to the increase in the number of intellectuals and in part to the fact that, as the legislative, administrative and economic institutions created by this epoch and adapted to its spirit became more and more intelligible and accessible, the aura which had surrounded Roman law and its practitioners in the sixteenth and seventeenth centuries faded, and the social status associated with all professions based on classical culture declined.

Special concern for labor as we find it in the modern world developed only with industrialism. Mass labor in ancient Asia, in Greece, Egypt and Rome was the ob-

ject of despotic control. A benevolent attitude toward labor can scarcely be said to have existed. In the feudal period there was a more human attitude toward the household servants but not toward the serfs. The fate of the latter varied according to locality, the quality of the soil and the character of the people, but everywhere they were looked down upon and exploited. The so-called emancipation of the peasants was not a struggle on their behalf but for their domination. The state wanted to give them certain opportunities toward economic development in order to obtain higher taxes. The conception that society is founded on labor was no more prevalent in the Middle Ages than in antiquity. In the guilds interest centered in the work done by the master, his personal contribution; both journeymen and apprentices expected to become masters, so that the idea of socially inferior labor was almost completely absent. It is true that occasionally there were strikes and movements of opposition among the journeymen, but their aim was not to suppress the guilds but only to improve their standard of living within them.

Only with the formation of a proletariat composed of free individuals, propertyless and concentrated in large masses, did the labor problem become the very center of the social problem. The first industrial workers were recruited from among the proletarian weavers, then from among the unemancipated agricultural workers, the independent artisans and so forth. They were a motley crew working under a system of mechanization and division of labor, under the orders of foremen who were often brutal. Personally and formally, however, they were free; they could when they found work elsewhere leave their jobs at any time. They were not attached to a locality or to a factory, and they could better their situation with improving busi-

ness conditions. They were the first great class of society that forged or suffered its destiny outside of legal chains. As whole cities were erected around the factories, the workers increased in number more rapidly than did any other part of the population. Indeed the rapidly increasing wealth resulting from industrialization was made possible only by an ever growing working class. It was therefore natural that the question should soon arise as to the part played by labor in the process of the creation of wealth and as to its rightful share in the social product.

Since Adam Smith and Ricardo political economy had placed labor in the center of the theory of value. Consequently there had arisen the problem of the part played by land and capital in the creation of value. Karl Marx declared that the income from land and capital must be considered theoretically as a deduction from workers' wages. The marginal utility theorists took as their point of departure consumption rather than the cost of production and found the source of value in the valuation of the product by the consumer. Neither theory answers the question of the relative productivity of labor compared with that of other classes. All modern economic theories recognize that labor produces value, industrial labor as well as agricultural. There remains only a controversy with regard to the significance of economic leadership—the labor of management and coordination. When the technical aspect of modern production is taken into consideration, it is impossible to deny the necessity of cooperation and coordination. Particularly is large scale production impossible without special organizing ability which can assure the efficiency of the technical processes, establish a plan of production and make decisions about necessary changes in the industry. Within the capitalistic system production on a large

scale, especially increasing production, cannot be achieved without the work of owners or managers and their staffs of superior and inferior employees. There can then be no absolute answer as to how the product can "justly" be distributed among these groups of producers. Actual salaries and wages always depend partly on the monopolistic position of a given industry; under a system of free competition they would be quite different. There are no "natural" wages, since, as Marx knew, in every system the level of wages is influenced by "social and historical factors"; that is, by the existence of monopolistic organizations. The conception of the participation of labor in the creation of social wealth can thus be considered only as a general leading principle in the distribution of that wealth. . . .

Only when society became more differentiated socially and economically did the various classes of laborers acquire specific social status. Then such distinctions became marked. The separation between agricultural and industrial labor occurred as a result of the division of labor on the large estates of antiquity as well as on the mediaeval farms burdened with the corvée. The soil yielded a sufficient surplus to provide not only for the agricultural laborers and tenant farmers but for spinners and weavers, blacksmiths, carpenters, masons, shoemakers, tailors, carpet weavers, coopers and many others employed in the lord's household. Specialization of labor was the rule, developing most markedly in the guilds. Karl Bucher estimates that there were nearly two hundred separate professions at the beginning of the fifteenth century. The guild was not merely an organization of labor and industry but also a political corporation. The guilds endowed chapels in the newly built churches; they armed their members; each

guild defended its part of the city walls; guild representatives sat in the city councils.

IMPACT OF THE INDUSTRIAL REVOLUTION

The industrial revolution could not have occurred within the guild system. Factory industry and to an even greater extent mechanized industry required freedom in the utilization of market opportunities, in the employment of working forces. The guild regulations and customs which had to a certain degree protected the journeyman and the apprentice had no validity in the factory; hence the early days of capitalism witnessed an immoderate use of women's and children's labor without limitation of the working day, conditions which were unknown at the height of the guild system. The workers in the early factories were unskilled or only partly skilled; some had had previous handicraft training. For a long time, however, the different trades remained distinct; indeed the transformation of trade unions into industrial unions is only a very recent development. It is in the so-called new industries—the automobile industry, the machine industry and the like—that the organization of workers according to industries rather than trades has proceeded most rapidly. As a result labor organizations have become more strongly colored by a general class character and the workers have become class conscious rather than profession conscious, although membership in a trade is still of importance and although, especially in Europe, even at the present time many workers are first trained as handicraftsmen.

Of equal importance with the union of different trades within the factory in developing a new status and a new conception of labor was the mechanization of industry. At first the artisans resisted the introduction of machinery and destroyed

the machines which deprived them of their bread. But when as a result of the rapid spread of factories and of increasing demand for workers for the construction of railways and new industries unemployment decreased or disappeared, there developed the theory that new forms of production automatically absorb all the workers thrown out of jobs as a result of technological improvements. This theory was largely accepted by the trade unions and created among the workers a more tolerant attitude toward the introduction of machines and the mechanization of industry. Since the World War keener theoretical analyses and added experience have brought this theory into disfavor. There is an increasing realization, especially among the working classes, that technical progress must be controlled.

Modern industrialism first created class consciousness among the workers. The importance of the trade, of the kind of work performed, has become secondary to the common class destiny of all workers. It is true that class consciousness is frequently weakened or delayed by differences of profession, of ability, of the relative importance of particular industries; by divisions of sex, age, race and nationality. In the principal industrial countries, however, these differences undoubtedly tend to lose their importance for social action, especially since increasing competition makes ever more acute the struggle of the various classes for their share in the social product, while local and professional differences in the levels of wages, even for skilled and unskilled labor, are gradually diminishing. On the other hand, the psychological currents conducive to the development of class consciousness have thus far had little opportunity to affect the salaried employees, who constitute an increasingly larger portion of the dependent class. Moreover in many European countries, especially in

Germany, the workers are more sharply divided by different social philosophies—socialistic, communistic, Christian—than by differences of trade or industry.

LABOR AS A SOCIAL FORCE

In organization and in efficiency of labor the present epoch represents the highest stage of capitalistic economy yet attained; never before in history have productive forces been so fully developed. At the same time never before has the great bulk of the working masses been so aware of its situation and so united as a class. This solidarity has become international, however, only in the last few decades. Whereas in the previous centuries only scholars (through the Latin language and humanism) and the nobility (through the French language and common class interests) were internationally united, modern means of communication and modern methods of production have created an international solidarity of producers, both capitalists and workers.

Within each of the great industrialized nations the working class has become for the first time in history an important economic and political force. The World War greatly hastened this development. Far from wiping out class stratifications it greatly increased the influence of the working class. This first resulted in a rapid increase in the wages, and thereby an improvement in the standard of living of the working class, and in a multiplication of collective contracts. As the working class, at least in Europe, has become an active and decisive factor in politics, the very principle of capitalistic economy has come into question. The problem as to whether the organization of production should be entrusted to the capitalist alone is being discussed on all sides. Indeed the importance of the proletarian movement lies in the fact that it has brought into actual discussion the problem of the eco-

nomie structure of society. Certainly this problem is far more significant than that of the level of wages or of the share of the working class in the social product.

EMILE DURKHEIM¹

The Anomic Division of Labor

Emile Durkheim (1858-1917), French sociologist and university professor, is remembered for his advocacy of the view that social results should be arrived at scientifically.

In so far as industrial functions become more specialized, the conflict [between capital and labor] becomes more lively, instead of solidarity increasing. In the middle ages, the worker everywhere lived at the side of his master, pursuing his tasks "in the same shop, in the same establishment." Both were part of the same corporation and led the same existence. "They were on an almost equal footing; whoever had served his apprenticeship could, at least in many of the occupations, set himself up independently if he had the means." Hence, conflicts were wholly unusual. Beginning with the fifteenth century things began to change. "The occupational circle is no longer a common organization; it is an exclusive possession of the masters, who alone decided all matters. . . . From that time, a sharp line is drawn between masters and workers. The latter formed, so to speak, an order apart;

¹ Emile Durkheim, *The Division of Labor in Society* (a translation of his *De la division du travail social* with an estimate of his work by George Simpson), by permission of The Macmillan Company, publishers, New York, copyright 1933, pp. 354-56, 370.

they had their customs, their rules, their independent associations." Once this separation was effected, quarrels became numerous. "When the workers thought they had a just complaint, they struck or boycotted a village, an employer, and all of them were compelled to obey the letter of the order. . . . The power of association gave the workers the means of combating their employers with equal force." But things were then far from reaching "the point at which we now see them. Workers rebelled in order to secure higher wages or some other change in the condition of labor, but they did not consider the employer as a permanent enemy whom one obeyed because of his force. They wished to make him concede a point, and they worked energetically towards that end, but the conflict was not everlasting. The workshops did not contain two opposing classes. Our socialist doctrines were unknown." Finally, in the seventeenth century, the third phase of this history of the working classes begins: the birth of large-scale industry. The worker is more completely separated from the employer. "He becomes somewhat regimented. Each has his function, and the system of the division of labor makes some progress. . . ." At the same time that specialization becomes greater, revolts become more frequent. "The smallest cause for discontent was enough to upset an establishment, and cause a worker unhappiness who did not respect the decision of the community." We well know that, since then, the warfare has become ever more violent.

To be sure . . . this tension in social relations is due, in part, to the fact that the working classes are not really satisfied with the conditions under which they live, but very often accept them only as constrained and forced, since they have not the means to change them. This constraint alone, however, would not account for the

phenomenon. In effect, it does not weigh less heavily upon all those generally bereft of fortune, and yet this state of permanent hostility is wholly special to the industrial world. Then, in the interior of this world, it is the same for all workers indiscriminately. But, small-scale industry, where work is less divided, displays a relative harmony between worker and employer. It is only in large-scale industry that these relations are in a sickly state. That is because they depend in part upon a different cause. . . .

As the market extends, great industry appears. But it results in changing the relations of employers and employees. The great strain upon the nervous system and the contagious influence of great agglomerations increase the needs of the latter. Machines replace men; manufacturing replaces hand-work. The worker is regimented, separated from his family throughout the day. He always lives apart from his employer, etc. These new conditions of industrial life naturally demand a new organization, but as these changes have been accomplished with extreme rapidity, the interests in conflict have not yet had the time to be equilibrated.

SIDNEY and BEATRICE WEBB¹

An Economic Interpretation

Sidney and Beatrice Webb (1859-1947 and 1858-1943) were famous English economists of the socialist school whose works on English trade-unions, social

¹ Sidney and Beatrice Webb, *The History of Trade Unionism*, rev. ed. extended to 1920, Longmans, Green and Co., New York, 1935, by permission of the executors of the late Lord Passfield, pp. 6, 10-11, 22-26, 41-56.

services, and social movements are classic sources. Created Baron Passfield, Sidney Webb rarely used his title, and his wife never used hers.

The explanation of the tardy growth of stable independent combination among hired journeymen is, we believe, to be found in the prospects of economic advancement which the skilled handicraftsman still possessed. We do not wish to suggest the existence of any Golden Age in which each skilled workman was his own master, and the wage system was unknown. The earliest records of English town history imply the presence of hired journeymen, who were not always contented with their wages. But the apprenticed journeyman in the skilled handicrafts belonged, until comparatively modern times, to the same social grade as his employer, and was indeed usually the son of a master in the same or an analogous trade. So long as industry was carried on mainly by small masters, each employing but one or two journeymen, the period of any energetic man's service as a hired wage-earner cannot normally have exceeded a few years, and the industrious apprentice might reasonably hope, if not always to marry his master's daughter, at any rate to set up in business for himself. Any incipient organisation would always be losing its oldest and most capable members. . . . We are therefore able to understand how it is that, whilst industrial oppression belongs to all ages, it is not until the changing conditions of industry had reduced to an infinitesimal chance the journeyman's prospect of becoming himself a master, that we find the passage of ephemeral combinations into permanent trade societies. . . .

If we examine the evidence of the rise of combinations in particular trades, we see the Trade Union springing, not from

any particular institution, but from every opportunity for the meeting together of wage-earners of the same occupation. Adam Smith remarked that "people of the same trade seldom meet together, ever for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices." And there is actual evidence of the rise of one of the oldest of the existing Trade Unions out of a gathering of the journeymen "to take a social pint of porter together." More often it is a tumultuous strike, out of which grows a permanent organisation. Elsewhere, as we shall see, the workers meet to petition the House of Commons, and reassemble from time to time to carry on their agitation for the enactment of some new regulation, or the enforcement of an existing law. In other instances we shall find the journeymen of a particular trade frequenting certain public-houses, at which they hear of situations vacant, and the "house of call" becomes thus the nucleus of an organisation. Or we watch the journeymen in a particular trade declaring that "it has been an ancient custom in the kingdom of Great Britain for divers Artists to meet together and unite themselves in societies to promote Amity and true Christian Charity," and establishing a sick and funeral club, which invariably proceeds to discuss the rates of wages offered by the employers, and insensibly passes into a Trade Union with friendly benefits. And if the trade is one in which the journeymen frequently travel in search of work, we note the slow elaboration of systematic arrangements for the relief of these "tramps" by their fellow-workers in each town through which they pass, and the inevitable passage of this far-extending tramping society into a national Trade Union.

All these, however, are but opportunities for the meeting of journeymen of the

same trade. They do not explain the establishment of continuous organisations of the wage-earners in the seventeenth and eighteenth rather than in the fifteenth or sixteenth centuries. The essential cause of the growth of durable associations of wage-earners must lie in something peculiar to the later centuries. This fundamental condition of Trade Unionism we discover in the economic revolution through which certain industries were passing. In all cases in which Trade Unions arose, the great bulk of the workers had ceased to be independent producers, themselves controlling the processes, and owning the materials and the product of their labour, and had passed into the condition of lifelong wage-earners, possessing neither the instruments of production nor the commodity in its finished state. "From the moment that to establish a given business more capital is required than a journeyman can easily accumulate within a few years, gild mastership—the mastership of the masterpiece—becomes little more than a name. . . . Skill alone is valueless, and is soon compelled to hire itself out to capital. . . . Now begins the opposition of interest between employers and employed, now the latter begin to group themselves together; now rises the trade society." Or, to express this Industrial Revolution in more abstract terms, we may say, in the words of Dr. Ingram, that "the whole modern organisation of labour in its advanced forms rests on a fundamental fact which has spontaneously and increasingly developed itself—namely, the definite separation between the functions of the capitalist and the workman, or, in other words, "between the direction of industrial operations and their execution in detail."

FACTORY SYSTEM NOT SOLE CAUSE

It is often assumed that the divorce of the manual worker from the ownership

of the means of production resulted from the introduction of machinery, the use of power, and the factory system. Had this been the case we should not, upon our hypothesis, have expected to find Trade Unions at an earlier date than factories, or in industries untransformed by machinery. The fact that the earliest durable combinations of wage-earners in England preceded the factory system by a whole century, and occur in trades carried on exclusively by hand labour, reminds us that the creation of a class of lifelong wage-servants came about in more than one way. . . .

It is easy to understand how the massing together in factories of regiments of men all engaged in the same trade facilitated and promoted the formation of journeymen's trade societies. But with the cotton-spinners, as with the tailors, the rise of permanent trade combinations is to be ascribed, in a final analysis, to the definite separation between the functions of the capitalist entrepreneur and the manual worker—between, that is to say, the direction of industrial operations and their execution. It has, indeed, become a commonplace of modern Trade Unionism that only in those industries in which the worker has ceased to be concerned in the profits of buying and selling—that inseparable characteristic of the ownership and management of the means of production—can effective and stable trade organisations be established.

The positive proofs of this historical dependence of Trade Unionism upon the divorce of the worker from the ownership of the means of production are complemented by the absence of any permanent trade combinations in industries in which the divorce had not taken place. The degradation of the Standard of Life of the skilled manual worker on the break-up of the mediaeval system occurred in all

sorts of trades, whether the operative retained his ownership of the means of production or not, but Trade Unionism followed only where the change took the form of a divorce between capital and labour. . . .

We do not contend that the divorce supplies, in itself, a complete explanation of the origin of Trade Unions. At all times in the history of English industry there have existed large classes of workers as much debarred from becoming the directors of their own industry as the eighteenth-century tailor or woolcomber, or as the modern cotton-spinner or miner. Besides the semi-servile workers on the land or in the mines, it is certain that there were in the towns a considerable class of unskilled labourers, excluded, through lack of apprenticeship, from any participation in the gild. By the eighteenth century, at any rate, the numbers of this class must have been largely swollen, by the increased demand for common labour involved in the growth of the transport trade, the extensive building operations, etc. But it is not among the farm servants, miners, or general labourers, ill-paid and ill-treated as these often were, that the early Trade Unions arose. We do not even hear of ephemeral combinations among them, and only very occasionally of transient strikes. The formation of independent associations to resist the will of employers requires the possession of a certain degree of personal independence and strength of character. Thus we find the earliest Trade Unions arising among journeymen whose skill and Standard of Life had been for centuries encouraged and protected by legal or customary regulations as to apprenticeship, and by the limitation of their numbers which the high premiums and other conditions must have involved. It is often assumed that Trade Unionism arose as a protest against intolerable industrial

oppression. This was not so. The first half of the eighteenth century was certainly not a period of exceptional distress. . .

It appears to us from these facts that Trade Unionism would have been a feature of English industry, even without the steam-engine and the factory system. Whether the association of superior workmen which arose in the early part of the century would, in such an event, ever have developed into a Trade Union Movement is another matter. . . .

The pioneers of the Trade Union Movement were not the trade clubs of the town artisans, but the extensive combinations of the West of England woolen-workers and the Midland framework knitters. It was these associations that initiated what afterwards became the common purpose of nearly all eighteenth-century combinations—the appeal to the Government and the House of Commons to save the wage-earners from the new policy of buying labour, like the raw material of manufacture, in the cheapest market. The rapidly changing processes and widening markets of English industry seemed to demand the sweeping away of all restrictions on the supply and employment of labour, a process which involved the levelling of all classes of wage-earners to their “natural wages.” The first to feel the encroachment on their customary earnings were the woolen-workers employed by the capitalist clothiers of the Western counties. As the century advances we find trade after trade taking up the agitation against the new conditions, and such old-established clubs as the hatters and the woolcombers joining the general movement as soon as their own industries are menaced. To the skilled craftsman in the towns the new policy was brought home by the repeal of the regulations which protected his trade against an influx of pauper labour. His defence was to ask for the enforcement of the law

relating to apprenticeship. This would not have helped the operative in the staple textile industries. To him the new order took the form of constantly declining piecework rates. What he demanded, therefore, was the fixing of the "convenient proportion of wages, contemplated by Elizabethan legislation". But, whether craftsmen or factory operatives, the wage-earners turned, for the maintenance of their Standard of Life, to that protection by the law upon which they had been taught to rely. So long as each section of workers believed in the intention of the governing class to protect their trade from the results of unrestricted competition no community of interest arose. It was a change of industrial policy on the part of the Government that brought all trades into line, and for the first time produced what can properly be called a Trade Union Movement. . . .

THE RISE OF LAISSEZ FAIRE

The dominant industrial policy of the sixteenth century was the establishment of some regulating authority to perform, for the trade of the time, the services formerly rendered by the Craft Gilds. . . . To the Parliament of these days it seemed right and natural that the oppressed wage-earners should turn to the legislature to protect them against the cutting down of their earnings by the competing capitalists. . . . Exactly the same view prevailed at the beginning of the eighteenth century. We again find the newly established associations of the operatives appealing to the King, to the House of Commons, or to Quarter Sessions against the beating down of their wages by their employers. For the first half of the century the governing classes continued to act on the assumption that the industrious mechanic had a right to the customary earnings of his trade. . . .

The next few years [after 1756] saw a revolutionary change in the industrial policy of the legislature which must have utterly bewildered the operatives. Within a generation the House of Commons exchanged its policy of mediaeval protection for one of "Administrative Nihilism." The Woollen Cloth Weavers' Act of 1756 had not been one year in force when Parliament was assailed by numerous petitions and counter petitions. The employers declared that the rates fixed by the justices were, in face of the growing competition of Yorkshire, absolutely impracticable. The operatives, on the other hand, asked that the Act might be strengthened in their favour. The clothiers asserted the advantages of freedom of contract and unrestrained competition. The weavers received the support of the landowning gentry in claiming the maintenance by law of their customary earnings. The perplexed House of Commons wavered between the two. At first a Bill was ordered to be drawn strengthening the existing law; but ultimately the clothiers were held to have proved their case. The Act of 1756 was, in 1757, unconditionally repealed; and Parliament was now heading straight for laissez faire.

The struggle over this Woollen Cloth Weavers' Act of 1756 marks the passage from the old ideas to the new. When, in 1776, the weavers, spinners, scribblers, and other woollen operatives of Somerset petitioned against the evil that was being done to their accustomed livelihood by the introduction of the spinning-jenny into Shepton Mallet, the House of Commons, which had two centuries before absolutely prohibited the gig-mill, refused even to allow the petition to be received. . . .

The action of the House of Commons on occasions like these was not as yet

influenced by any conscious theory of freedom of contract. What happened was that, as each trade in turn felt the effect of the new capitalist competition, the journeymen, and often also the smaller employers, would petition for redress, usually demanding the prohibition of the new machines, the enforcement of a seven years' apprenticeship, or the maintenance of the old limitation of the number of boys to be taught by each employer. The House would as a rule appoint a Committee to investigate the complaint, with the full intention of redressing the alleged grievance. But the large employers would produce before that Committee an overwhelming array of evidence proving that without the new machinery the growing export trade must be arrested; that the new processes could be learnt in a few months instead of seven years; and that the restriction of the old master-craftsmen to two or three apprentices apiece was out of the question with the new buyers of labour on a large scale. Confronted with such a case as this for the masters even the most sympathetic committee seldom found it possible to endorse the proposals of the artisans. In fact, these proposals were impossible. The artisans had a grievance—perhaps the worst that any class can have—the degradation of their standard of livelihood by circumstances which enormously increased the productivity of their labour. But they mistook the remedy; and Parliament, though it saw the mistake, could devise nothing better. Common sense forced the Government to take the easy and obvious step of abolishing the mediaeval regulations which industry had outgrown. But the problem of protecting the workers' Standard of Life under the new conditions was neither easy nor obvious, and it remained unsolved until the nineteenth century discovered the expedi-

ents of Collective Bargaining and Factory Legislation, developing, in the twentieth century, into the fixing by law of a Minimum Wage. In the meantime the workers were left to shift for themselves, the attitude of Parliament towards them being for the first years one of pure perplexity, quite untouched by the doctrine of freedom of contract. . . .

Towards the end of the century the governing classes, who had found in the new industrial policy a source of enormous pecuniary profit, eagerly seized on the new economic theory as an intellectual and moral justification of that policy. The abandonment of the operatives by the law, previously resorted to under pressure of circumstances, and, as we gather, not without some remorse, was now carried out on principle, with unflinching determination. When the handloom-weavers, earning little more than a third of the livelihood they had gained ten years before, and unable to realise that the factory system would be deliberately allowed to ruin them, made themselves heard in the House of Commons in 1808, a Committee reported against their proposal to fix a minimum rate of wages on the ground that it was "wholly inadmissible in principle, incapable of being reduced to practice by any means which can possibly be devised, and, if practicable, would be productive of the most fatal consequences"; and "that the proposition relative to the limiting the number of apprentices is also entirely inadmissible, and would, if adopted by the House, be attended with the greatest injustice to the manufacturer as well as to the labourer." Here we have laissez faire fully established in Parliament as an authoritative industrial doctrine of political economy, able to overcome the great bulk of the evidence given before this Committee, which was decidedly in favour of the minimum wage.

SELIG PERLMAN¹

An Economic Interpretation

Selig Perlman (1888-) is the Polish-born American economist who collaborated with John R. Commons and his associates in the basic work of the Wisconsin school on the history of labor and trade-unionism in the United States.

To interpret the labor movement means to offer a theory of the struggle between labor and capital in our present society. According to Karl Marx, the founder of modern socialism, the efficient cause in all the class struggles of history has been technical progress. Progress in the mode of making a living or the growth of "productive forces," says Marx, causes the coming up of new classes and stimulates in each and all classes a desire to use their power for a maximum class advantage. Referring to the struggle between the class of wage earners and the class of employers, Marx brings out that modern machine technique has concentrated the social means of production under the ownership of the capitalist, who thus became absolute master. The laborer indeed remains a free man to dispose of his labor as he wishes, but, having lost possession of the means of production, which he had as a master-workman during the preceding handicraft stage of industry, his freedom is only an illusion and his bargaining power is no greater than if he were a slave.

But capitalism, Marx goes on to say, while it debases the worker, at the same time produces the conditions of his ulti-

mate elevation. Capitalism with its starvation wages and misery makes the workers conscious of their common interests as an exploited class, concentrates them in a limited number of industrial districts, and forces them to organize for a struggle against the exploiters. The struggle is for the complete displacement of the capitalists both in government and industry by the revolutionary labor class. Moreover, capitalism itself renders effective although unintended aid to its enemies by developing the following three tendencies: First, we have the tendency towards the concentration of capital and wealth in the hands of a few of the largest capitalists, which reduces the number of the natural supporters of capitalism. Second, we observe a tendency towards a steady depression of wages and a growing misery of the wage-earning class, which keeps revolutionary ardor alive. And lastly, the inevitable and frequent economic crises under capitalism disorganize it and hasten it on towards destruction. The last and gravest capitalistic industrial crisis will coincide with the social revolution which will bring capitalism to an end. The wage-earning class must under no condition permit itself to be diverted from its revolutionary program into futile attempts to "patch up" capitalism. The labor struggle must be for the abolition of capitalism.

American wage earners have steadily disappointed several generations of Marxians by their refusal to accept the Marxian theory of social development and the Marxian revolutionary goal. In fact, in their thinking, most American wage earners do not start with any general theory of industrial society, but approach the subject as bargainers, desiring to strike the best wage bargain possible. They also have a conception of what the bargain ought to yield them by way of real income, measured in terms of their customary standard of living, in terms of security for

¹ Reprinted by permission of the author from Selig Perlman, *A History of Trade Unionism in the United States*, The Macmillan Company, New York, 1937, pp. 265-77.

the future, and in terms of freedom in the shop or "self-determination." What impresses them is not so much the fact that the employer owns the employment opportunities but that he possesses a high degree of bargaining advantage over them. Viewing the situation as bargainers, they are forced to give their best attention to the menaces they encounter as bargainers, namely, to the competitive menaces; for on these the employer's own advantage as a bargainer rests. Their impulse is therefore not to suppress the employer, but to suppress those competitive menaces, be they convict labor, foreign labor, "green" or untrained workers working on machines, and so forth. To do so they feel they must organize into a union and engage in a "class struggle" against the employer.

It is the employer's purpose to bring in ever lower and lower levels in competition among laborers and depress wages; it is the purpose of the union to eliminate those lower levels and to make them stay eliminated. That brings the union men face to face with the whole matter of industrial control. They have no assurance that the employer will not get the best of them in bargaining unless they themselves possess enough control over the shop and the trade to check him. Hence they will strive for the "recognition" of the union by the employer or the associated employers as an acknowledged part of the government of the shop and the trade. It is essential to note that in struggling for recognition, labor is struggling not for something absolute, as would be a struggle for a complete dispossession of the employer, but for the sort of an end that admits of relative differences and gradations. Industrial control may be divided in varying proportions, reflecting at any one time the relative ratio of bargaining power of the contesting sides. It is labor's aim to continue increasing its bar-

gaining power and with it its share of industrial control, just as it is the employer's aim to maintain a *status quo* or better. Although this presupposes a continuous struggle, it is not a revolutionary but an "opportunistic" struggle.

THE FORCES OF THE MARKET

Once we accept the view that a broadly conceived aim to control competitive menaces is the key to the conduct of organized labor in America, light is thrown on the causes of the American industrial class struggles. In place of looking for these causes, with the Marxians, in the domain of technique and production, we shall look for them on the market, where all developments which affect labor as a bargainer and competitor, of which technical change is one, are sooner or later bound to register themselves. It will then become possible to account for the long stretch of industrial class struggle in America prior to the factory system, while industry continued on the basis of the handicraft method of production. Also we shall be able to render to ourselves a clearer account of the changes, with time, in the intensity of the struggle, which, were we to follow the Marxian theory, would appear hopelessly irregular.

We shall take for an illustration the shoe industry. The ease with which shoes can be transported long distances, due to the relatively high money value contained in small bulk, rendered the shoe industry more sensitive to changes in marketing than other industries. Indeed we may say that the shoe industry epitomized the general economic evolution of the country.

We observe no industrial class struggle during Colonial times when the market remained purely local and the work was custom-order work. The journeyman found his standard of life protected along with the master's own through the latter's

ability to strike a favorable bargain with the consumer. This was done by laying stress upon the quality of the work. It was mainly for this reason that during the custom-order stage of industry the journey-men seldom if ever raised a protest because the regulation of the craft, be it through a guild or through an informal organization, lay wholly in the hands of the mas-ters. Moreover, the typical journeyman expected in a few years to set up with an apprentice or two in business for himself—so there was a reasonable harmony of interests.

A change came when improvements in transportation, the highway and later the canal, had widened the area of competition among masters. As a first step, the master began to produce commodities in advance of the demand, laying up a stock of goods for the retail trade. The result was that his bargaining capacity over the consumer was lessened and so prices eventually had to be reduced, and with them also wages. The next step was even more serious. Having succeeded in his retail business, the master began to cover a still larger market,—the wholesale market. However, the competition in this wider market was much keener than it had been in the custom-order or even in the retail market. It was inevitable that both prices and wages should suffer in the process. The master, of course, could recoup himself by lowering the quality of the product, but when he did that he lost a telling argument in bargaining with the consumer or the retail merchant. Another result of this new way of conducting the business was that an increased amount of capital was now required for continuous operation, both in raw material and in credits extended to distant buyers.

The next phase in the evolution of the market rendered the separation of the journeymen into a class by themselves

even sharper as well as more permanent. The market had grown to such dimensions that only a specialist in marketing and credit could succeed in business, namely, the "merchant-capitalist." The latter now interposed himself permanently between "producer" and consumer and by his control of the market assumed a commanding position. The merchant-capitalist ran his business upon the principle of a large turn-over and a small profit per unit of product, which, of course, made his income highly speculative. He was accordingly interested primarily in low production and labor costs. To depress the wage levels he tapped new and cheaper sources of labor supply, in prison labor, low wage country-town labor, woman and child labor; and set them up as competitive menaces to the workers in the trade. The merchant-capitalist system forced still another disadvantage upon the wage earner, by splitting up crafts into separate operations, and tapping lower levels of skill. In the merchant-capitalist period we find the "team work" and "task" system. The "team" was composed of several workers: a highly skilled journeyman was in charge, but the other members possessed varying degrees of skill down to the practically unskilled "finisher." The team was generally paid a lump wage, which was divided by an understanding among the members. With all that the merchant-capitalist took no appreciable part in the productive process. His equipment consisted of a warehouse where the raw material was cut up and given out to be worked up by small contractors, to be worked up in small shops with a few journeymen and apprentices, or else by the journeyman at his home,—all being paid by the piece. This was the notorious "sweatshop system."

The contractor or sweatshop boss was a mere labor broker deriving his income from the margin between the piece rate

he received from the merchant-capitalist and the rate he paid in wages. As any workman could easily become a contractor with the aid of small savings out of wages, or with the aid of money advanced by the merchant-capitalist, the competition between contractors was of necessity of the cut-throat kind. The industrial class struggle was now a three-cornered one, the contractor aligning himself here with the journeymen, whom he was forced to exploit, there with the merchant-capitalist, but more often with the latter. Also, owing to the precariousness of the position of both contractor and journeyman, the class struggle now reached a new pitch of intensity hitherto unheard of. It is important to note, however, that as yet the tools of production had not undergone any appreciable change, remaining hand tools as before, and also that the journeyman still owned them. So that the beginning of class struggles had nothing to do with machine technique and a capitalist ownership of the tools of production. The capitalist, however, had placed himself across the outlets to the market and dominated by using all the available competitive menaces to both contractor and wage earner. Hence the bitter class struggle.

The thirties witnessed the beginning of the merchant-capitalist system in the cities of the East. But the situation grew most serious during the forties and fifties. That was a period of the greatest disorganization of industry. The big underlying cause was the rapid extension of markets outrunning the technical development of industry. The large market, opened first by canals and then by railroads, stimulated the keenest sort of competition among the merchant-capitalists. But the industrial equipment at their disposal had made no considerable progress. Except in the textile industry, machinery had not yet been invented or sufficiently perfected to make its application profitable. Consequently indus-

trial society was in the position of an antiquated public utility in a community which persistently forces ever lower and lower rates. It could continue to render service only by cutting down the returns to the factors of production,—by lowering profits, and especially by pressing down wages.

THE IMPROVED TECHNOLOGY

In the sixties the market became a national one as the effect of the consolidation into trunk lines of the numerous and disconnected railway lines built during the forties and fifties. Coincident with the nationalized market for goods, production began to change from a handicraft to a machine basis. The former sweatshop boss having accumulated some capital, or with the aid of credit, now became a small "manufacturer," owning a small plant and employing from ten to fifty workmen. Machinery increased the productivity of labor and gave a considerable margin of profits, which enabled him to begin laying a foundation for his future independence from the middleman. As yet he was, however, far from independent.

The wider areas over which manufactured products were now to be distributed, called more than ever before for the services of the specialist in marketing, namely, the wholesale-jobber. As the market extended, he sent out his traveling men, established business connections, and advertised the articles which bore his trade mark. His control of the market opened up credit with the banks, while the manufacturer, who with the exception of his patents possessed only physical capital and no market opportunities, found it difficult to obtain credit. Moreover, the rapid introduction of machinery tied up all of the manufacturers' available capital and forced him to turn his products into money as rapidly as possible, with the inevitable

result that the merchant was given an enormous bargaining advantage over him. Had the extension of the market and the introduction of machinery proceeded at a less rapid pace, the manufacturer probably would have been able to obtain greater control over the market opportunities, and the larger credit which this would have given him, combined with the accumulation of his own capital, might have been sufficient to meet his needs. However, as the situation really developed, the merchant obtained a superior bargaining power and, by playing off the competing manufacturers one against another, produced a cut-throat competition, low prices, low profits, and consequently a steady and insistent pressure upon wages. This represents the situation in the seventies and eighties.

For labor the combination of cut-throat competition among employers with the new machine technique brought serious consequences. In this era of machinery the forces of technical evolution decisively joined hands with the older forces of marketing evolution to depress the conditions of the wage bargain. It is needless to dilate upon the effects of machine technique on labor conditions—they have become a commonplace of political economy. The shoemakers were first among the organized trades to feel the effects. In the later sixties they organized what was then the largest trade union in the world, the Order of the Knights of St. Crispin, to ward off the menace of "green hands" set to work on machines. With the machinists and the metal trades in general, the invasion of unskilled and little-skilled competitors began a decade later. But the main and general invasion came in the eighties, the proper era from which to date machine production in America. It was during the eighties that we witness an attempted fusion into one organiza-

tion, the Order of the Knights of Labor, of the machine-menaced mechanics and the hordes of the unskilled.

With the nineties a change comes at last. The manufacturer finally wins his independence. Either he reaches out directly to the ultimate consumer by means of chains of stores or other devices, or else, he makes use of his control over patents and trade marks and thus succeeds in reducing the wholesale-jobber to a position which more nearly resembles that of an agent working on a commission basis than that of the *quondam* industrial ruler. The immediate outcome is, of course, a considerable increase in the manufacturer's margin of profit. The industrial class struggle begins to abate in intensity. The employer, now comparatively free of anxiety that he may be forced to operate at a loss, is able to diminish pressure on wages. But more than this: the greater certainty about the future, now that he is a free agent, enables him to enter into time agreements with a trade union. At first he is generally disinclined to forego any share of his newly acquired freedom by tying himself up with a union. But if the union is strong and can offer battle, then he accepts the situation and "recognizes" it. Thus the class struggle instead of becoming sharper and sharper with the advance of capitalism and leading, as Marx predicted, to a social revolution, in reality, grows less and less revolutionary and leads to a compromise or succession of compromises,—namely, collective trade agreements.

But the manufacturer's emancipation from the middleman need not always lead to trade agreements. In the shoe industry this process did not do away with competition. In other industries such an emancipation was identical with the coming in of the "trust," or a combination of com-

peting manufacturers into a monopoly. As soon as the "trust" becomes practically the sole employer of labor in an industry, the relations between labor and capital are thrown almost invariably back into the state of affairs which characterized the merchant-capitalist system at its worst, but with one important difference. Whereas under the merchant-capitalist system the employer was obliged to press down on wages and fight unionism to death owing to cut-throat competition, the "trust," its strength supreme in both commodity and labor market, can do so and usually does so of free choice.

IMPACT OF BUSINESS CYCLES

The character of the labor struggle has been influenced by cyclical changes in industry as much as by the permanent changes in the organization of industry and market. In fact, whereas reaction to the latter has generally been slow and noticeable only over long periods of time, with a turn in the business cycle, the labor movement reacted surely and instantaneously.

We observed over the greater part of the history of American labor an alternation of two planes of thought and action, an upper and a lower. On the upper plane, labor thought was concerned with ultimate goals, self-employment or cooperation, and problems arising therefrom, while action took the form of politics. On the lower plane, labor abandoned the ultimate for the proximate, centering on betterments within the limits of the wage system and on trade-union activity. Labor history in the past century was largely a story of labor's shifting from one plane to another, and then again to the first. It was also seen that what determined the plane of thought and action at any one time was the state of business measured by move-

ments of wholesale and retail prices and employment and unemployment. When prices rose and margins of employers' profits were on the increase, the demand for labor increased and accordingly also labor's strength as a bargainer; at the same time, labor was compelled to organize to meet a rising cost of living. At such times trade unionism monopolized the arena, won strikes, increased membership, and forced "cure-alls" and politics into the background. When, however, prices fell and margins of profit contracted, labor's bargaining strength waned, strikes were lost, trade unions faced the danger of extinction, and "cure-alls" and politics received their day in court. Labor would turn to government and politics only as a last resort, when it had lost confidence in its ability to hold its own in industry. This phenomenon, noticeable also in other countries, came out with particular clearness in America.

For, as a rule, down to the World War, prices both wholesale and retail, fluctuated in America more violently than in England or the Continent. And twice, once in the thirties and again in the sixties, an irredeemable paper currency moved up the water mark of prices to tremendous heights followed by reactions of corresponding depth. From the War of 1812, the actual beginning of an industrial America, to the end of the century, the country went through several such complete industrial and business cycles. We therefore conveniently divide labor and trade union history into periods on the basis of the industrial cycle. It was only in the nineties, as we saw, that the response of the labor movement to price fluctuations ceased to mean a complete or nearly complete abandonment of trade unionism during depressions. A continuous and stable trade union movement consequently dates only from the nineties.

SUMNER H. SLICHTER¹

Weakness of Individual Bargaining

Sumner H. Slichter (1892-), professor of economics at Harvard University, is a distinguished analyst of labor economics and contemporary industrial relations.

There are several circumstances which hinder wage earners from exercising much control over working conditions through the medium of the labor bargain. Let us consider first the method of individual bargaining and then the method of collective bargaining.

The workers exercise their influence, it will be recalled, by discriminating in favor of the enterprises which offer the best conditions and against those which offer the worst. One of the important difficulties of wage earners is discovering which plant or which job offers the best working conditions. To make this clear, let us contrast the situation of the wage earner with that of the consumer buying articles from retailers. How does the consumer decide where he can obtain the best quality for his money? In the case of some commodities, such as automobiles, radios, vacuum cleaners, he often makes a trial of several brands before purchasing. Even when he must buy the article before using it, he can often make a thorough inspection of alternatives. He can try on B's brand of clothing without sacrificing the chance of purchasing A's brand. In many cases, he can buy a small quantity of the article and try it before deciding which brand

to use. Even these methods, as we have already seen, do not give the consumer reliable information about the quality of goods, but he is far better off than the wage earner. A workman must ordinarily give up his old job before deciding in favor of a new one because most enterprises do not hire men who are already employed elsewhere. The practice of asking for references makes it difficult for an employee to hold one job while taking a day or two off to hunt for another. After a man has given up his old job, he cannot select a new one by trying out several and then taking the one he likes best—as he can in buying a suit of clothes or a pair of shoes. He must be guided largely by what other workmen tell him about different plants. This is likely to be as inadequate a basis of choice in selecting jobs as it would be in selecting clothes or shoes.

Not only do job seekers find it practically impossible to obtain accurate information about jobs and working conditions in different plants, but even if information were available, most workmen would not appreciate its significance.

A second reason why wage earners find it difficult to control jobs and working conditions through individual bargaining is that this method gives relatively little influence to minorities. Again it is useful to compare the position of the wage earner with that of the consumer. The small minority of consumers who demand a better product and who are willing to pay for it usually have no trouble in obtaining it. It is more difficult for the minority of workers who wish better conditions, even at the cost of lower wages, to obtain them.

A manufacturer who specializes upon the production of a superior quality ordinarily has no difficulty in getting his goods into the hands of consumers. But it is not so easy for the manufacturer who offers superior conditions and at a slightly lower

¹ From *Modern Economic Society* by Sumner H. Slichter. Copyright, 1928, by Henry Holt and Company. Copyright, 1929, 1930, 1931, by Henry Holt and Company, Inc., pp. 653-57.

wage to attract the workmen who are specially interested in better working conditions. The very fact that working conditions in different plants are not easily discovered and compared is one obstacle. Another is the fact that it is expensive and inconvenient for wage earners to travel. The failure of minorities to count in the labor market is important because the best informed and most critical part of the public, the part which sets the standards for tomorrow, is always a minority. The minority which demands something better in automobiles creates standards which the majority will expect tomorrow. Among wage earners there is a minority which is strongly interested in better working conditions because it has greater foresight than the majority and places a higher value upon future health. If it counted enough in the labor market to influence labor conditions in more plants, it could lead much of the working class to demand better conditions.

A third reason why wage earners find it difficult to influence working conditions through individual bargaining is that the labor market does not reflect changes in jobs or working conditions which result in small reductions in human cost—that is, an establishment which makes a small change which is beneficial to its employees is not able as a result to attract more men or more desirable men. For example, the fact that a job on such and such a milling machine has been made more attractive does not definitely and immediately enhance the power of the enterprise to attract labor. This means, of course, that small reductions in the human costs of production, small improvements in working conditions, do not pay the employer.

It is quite otherwise with changes which reduce the money costs of production. No matter how minute the saving, the profits of the concern are immediately increased

by that amount. But changes in industrial technique typically consist of small improvements. Dramatic and revolutionary changes are the exception. Because these small changes count definitely when they make possible more output or lower money costs but are not translated into money savings for the enterprise when they produce savings in human costs, industrial research tends to focus rather exclusively upon the achievement of money savings.

But let us assume that a reduction in human costs is sufficiently large and definite to attract more desirable workmen. Is a business concern in a favorable position to take advantage of it? Can it afford to discharge old employees in order to make room for better men who might seek employment? As soon as it begins such a policy, it reduces the attractiveness of the jobs in its plant and thus tends to counteract the very things which it has done to make its jobs more desirable. One of the most important elements in the attractiveness of jobs is their permanency. As soon as the enterprise adopts an employment policy which makes its jobs less permanent, it makes them less attractive. Furthermore, the wholesale discharge of old employees in order to replace them with new men is likely to lower the morale and the efficiency of the whole force. Even though the improved conditions do attract more desirable workmen, it may not pay to discharge old employees in order to make room for new men. No similar obstacle prevents enterprises from accepting the customers who seek to purchase its wares.

Finally, individual bargaining is an unsatisfactory way of controlling work and working conditions, because employers who use methods which improve the labor supply are not sure of gaining as a result and employers who use methods which spoil the labor supply suffer no direct loss. It may not pay an employer to or-

ganize his work so as to create more jobs with educational value, because he cannot be sure of retaining the best workers developed in his shop. On the other hand, the employer who uses production methods and labor policies which spoil the labor supply does not suffer directly or immediately. In fact, he may positively gain by taking a boy who is a potential Class A workman and converting him, by the wrong kind of work, into a competent and satisfactory Class B or Class C worker who knows too little and who has too little self-confidence to resign and hunt up a better job elsewhere. Frequent unemployment is likely to convert some men into unemployables. Obviously, there is a loss here, but it is spread thin over the entire community rather than concentrated upon those employers who fail to stabilize employment.

KARL MARX
and FRIEDRICH ENGELS¹

The Class Struggle

Karl Marx (1818-1883), German editor, economist, and revolutionary leader, was the founder of the modern Socialist movement.

Friedrich Engels (1820-1895), German revolutionary leader, was the associate of Karl Marx in organizing the international Socialist movement.

The proletariat goes through various stages of development. With its birth begins its struggle with the bourgeoisie. At

first the contest is carried on by individual labourers, then by the work people of a factory, then by the operatives of one trade, in one locality, against the individual bourgeois who directly exploits them. They direct their attacks not against the bourgeois conditions of production, but against the instruments of production themselves; they destroy imported wares that compete with their labour, they smash to pieces machinery, they set factories ablaze, they seek to restore by force the vanished status of the workman of the Middle Ages.

At this stage the labourers still form an incoherent mass scattered over the whole country, and broken up by their mutual competition. If anywhere they unite to form more compact bodies, this is ~~not~~ yet the consequence of their own active union, but of the union of the bourgeoisie, which class, in order to attain its own political ends, is compelled to set the whole proletariat in motion, and is moreover yet, for a time, able to do so. At this stage, therefore, the proletarians do not fight their enemies, but the enemies of their enemies, the remnants of absolute monarchy, the landowners, the non-industrial bourgeois, the petty bourgeoisie. Thus the whole historical movement is concentrated in the hands of the bourgeoisie; every victory so obtained is a victory for the bourgeoisie.

But with the development of industry the proletariat not only increases in number; it becomes concentrated in greater masses, its strength grows, and it feels that strength more. The various interests and conditions of life within the ranks of the proletariat are more and more equalised, in proportion as machinery obliterates all distinctions of labour, and nearly everywhere reduces wages to the same low level. The growing competition among the bourgeois, and the resulting commer-

¹ Karl Marx, *Selected Works*. Prepared by the Marx-Engels-Lenin Institute, Moscow, under the editorship of V. Adoratsky, reprinted by permission of International Publishers, New York, 1936, Vol. I, pp. 214-15.

cial crises, make the wages of the workers ever more fluctuating. The unceasing improvement of machinery, ever more rapidly developing, makes their livelihood more and more precarious; the collisions between individual workmen and individual bourgeois take more and more the character of collisions between two classes. Thereupon the workers begin to form combinations (trade unions) against the bourgeois; they club together in order to keep up the rate of wages; they found permanent associations in order to make provision beforehand for these occasional revolts. Here and there the contest breaks out into riots.

Now and then the workers are victorious, but only for a time. The real fruit of their battles lies, not in the immediate result, but in the ever expanding union of the workers. This union is helped on by the improved means of communication that are created by modern industry, and that place the workers of different localities in contact with one another. It was just this contact that was needed to centralize the numerous local struggles, all of the same character, into one national struggle between classes. But every class struggle is a political struggle. And that union, to attain which the burghers of the Middle Ages, with their miserable highways, required centuries, the modern proletarians, thanks to railways, achieve in a few years.

This organization of the proletarians into a class, and consequently into a political party, is continually being upset again by the competition between the workers themselves. But it ever rises up again, stronger, firmer, mightier. It compels legislative recognition of particular interests of the workers, by taking advantage of the divisions among the bourgeoisie itself.

SAMUEL GOMPERS¹

The Philosophy of Trade Unionism

Samuel Gompers (1850-1924) was the first president of the AFL, which office he held for forty-one years. In his time he was the most prominent labor figure in the United States.

Each "ism" has stood but as an evanescent and iridescent dream of poor humanity groping blindly in the dark for its ideal; and it has caused many a heart-wrench to relegate some idealism of movements which do not move, to the dead ashes of blasted hopes and promises.

Throughout all these dreams and hopes and fears and attacks, vituperation and misrepresentation, the trade unionists have plodded along their weary way since the miner of Laurium, three thousand years ago, laid down his pick; and, though phantasmagorias and dreams have lived and died, the wage-earner, with pick and shovel, with hammer and saw and plane, with hands on the lever of the highest developed machines, kept, and keeps, organizing and plodding along toward better conditions of life.

The trade unions not only discuss economics and social problems, but deal with them in a practical fashion calculated to bring about better conditions of life today, and thus fit the workers for the greater struggles for amelioration and emancipation yet to come. . . .

The ground-work principle of America's labor movement has been to recognize that first things must come first. The pri-

¹ Taken from *Labor and the Common Welfare*, by Samuel Gompers, published and copyright by E. P. Dutton & Co., Inc., New York, 1919, pp. 7-8, 20.

mary essential in our mission has been the protection of the wage-worker, now; to increase his wages; to cut hours off the long workday, which was killing him; to improve the safety and the sanitary conditions of the work-shop; to free him from the tyrannies, petty or otherwise, which served to make his existence a slavery. These, in the nature of things, I repeat, were and are the primary objects of trade unionism.

Our great Federation has uniformly refused to surrender this conviction and to rush to the support of any one of the numerous society-saving or society-destroying schemes which decade by decade have been sprung upon this country. A score of such schemes, having a national scope, and being for the passing day subject to popular discussion, have gone down behind the horizon and are now but ancient history. But while our Federation has thus been conservative, it has ever had its face turned toward whatever reforms, in politics or economics, could be of direct and obvious benefit to the working classes. It has never given up its birthright for a mess of pottage. It has pursued its avowed policy with the conviction that if the lesser and immediate demands of labor could not be obtained now from society as it is, it would be mere dreaming to preach and pursue that will-o'-the-wisp, a new society constructed from rainbow materials—a system of society on which even the dreamers themselves have never agreed.

These demands of organized labor are comprehended in this larger and ultimate ideal—to enrich, enlarge, and magnify humanity. The influence and the potency of the American Federation of Labor are so well appreciated by the thinkers and leaders in our nation's affairs, that almost every considerable movement for humanitarian, economic, or political reform has endeavored to enlist our approval and support.

J. B. S. HARDMAN¹

"No Ultimate Ends"

J. B. S. Hardman (1882-) is a Russian-born American economist who has brought long practical experience in the labor movement to the analysis of contemporary labor problems; he is present editor of Labor and Nation.

As far back as 1883, hard pressed by the Senate Committee on Education and Labor for a statement of trade-unionist objectives, Adolph Strasser, an outstanding personality and a leading man of the movement of those days, flatly denied that he was concerned with ultimate ends:

QUESTION: You are seeking to improve home matters first?

ANSWER: Yes, sir, I look first to the trade I represent; I look first to cigars, to the interests of men who employ me to represent their interest.

CHAIRMAN: I was only asking you in regard to your ultimate ends.

WITNESS: We have no ultimate ends. We are going on from day to day. We are fighting only for immediate objects—objects that can be realized in a few years.

QUESTION (by Mr. Call): You want something better to eat and to wear, and better houses to live in?

ANSWER: Yes, we want to dress better and to live better, and become better citizens generally.

CHAIRMAN: I see that you are a little sensitive lest it should be thought that you are a mere theorizer. I do not look upon you in that light at all.

WITNESS: Well, we say in our constitution that we are opposed to theorists, and I

¹From *American Labor Dynamics*, edited by J. B. S. Hardman, copyright, 1928, by Harcourt, Brace and Company, Inc., pp. 99-101.

have to represent the organization here. We are all practical men.

"We have no ultimate ends. . . . We are all practical men. . . . We are going on from day to day. . . ." Adolph Strasser was no chance figure in organized labor. He was a progressive, too. For many years the President of the Cigarmakers' International Union and a close co-worker with Samuel Gompers in the formative stages of the AFL, Strasser was also the national secretary of the Social Democratic party of North America. An immigrant from Germany and strongly impressed with the ideas of Karl Marx and the International Workingmen's Association, Strasser was one of the small group of men who gave shape, direction, and its workaday philosophy to the American Federation of Labor in the stormy and perhaps the most contentious decades American labor has lived through, the 80's and 90's of the nineteenth century.

Pure and simple trade unionism, or the philosophy of pure wage-consciousness, was what Strasser stressed before the Senate Committee in 1883. And thirty-one years later, in 1914, before the United States Commission on Industrial Relations, Samuel Gompers reiterated the same mind of labor and in almost exactly the same words. Mr. Gompers occupied the witness-stand and answered questions asked by Mr. Morris Hillquit in a cross-examination under the auspices of the United States Industrial Relations Commission which was authorized to "seek to discover the underlying causes of dissatisfaction in the industrial situation and report its conclusions thereon":

MR. HILLQUIT: . . . Inform me on this: In its practical work in the labor movement, is the AFL guided by a general social philosophy, or is it not?

MR. GOMPERS: It is guided by the history of the past, drawing its lessons from history. It knows the conditions by which the working-people are surrounded. It works along the line of least resistance and endeavors to accomplish the best results in improving the condition of the working-people, men, women, and children, today and tomorrow, and each day making it a better day than the one that had gone before. The guiding principle, philosophy, and aim of the labor movement is to secure a better life for all.

MR. HILLQUIT: Now, "the highest and best ideals of social justice," as applied to the distribution of wealth—wouldn't that be a system under which all the workers, manual, mental, directive, and executive, would together get the sum total of all the products of their toil?

MR. GOMPERS: Really, a fish is caught by a tempting bait; a mouse or a rat is caught in a trap by a tempting bait. The intelligent, common-sense workmen prefer to deal with the problems of today, the problems with which they are bound to contend if they want to advance, rather than to deal with a picture and a dream which have never had, and I am sure never will have, any reality in the actual affairs of humanity, and which threaten, if they could be introduced, the worst system of circumscriptional effort and activity that has ever been invented by the human mind.

Eliminating from the testimony the emotional reactions of Mr. Gompers to what he suspected or feared to be socialism in disguise, we meet that typical antagonism of the practical trade unionist to the setting up of any "far-fetched" scheme, *ism*, philosophy, or ultimate objective for the trade-union movement. Strasser, a national officer of the cigarmaking trade International, in 1883, spoke of "looking

first to cigars." Gompers, the President of the AFL, went a step further in 1914. He referred to the trade unions as the labor movement and he said that the aim of the movement was to secure a "better life for all." Allowing for the difference in the personal status of the two leaders, we see that the two men, separated from one another by thirty-one years, reacted to the

old question of trade-union objectives, immediate and ultimate, with identically the same words: "... We won't deal with a picture and a dream ... prefer to deal with the problems of today ... line of least resistance ..." Gompers, like Strasser, conceded to the unions immediate ameliorative objectives only and no ultimate, far-reaching objectives.

SOCIAL AND PSYCHOLOGICAL SOURCES

COMMISSION ON INDUSTRIAL RELATIONS¹

Causes of Unrest

The primary duty imposed upon this Commission by Congress is to ascertain "the underlying causes of dissatisfaction in the industrial situation." While it is recognized that this subject is practically inexhaustible, it is believed nevertheless that the testimony furnishes an outline of the fundamental causes.

Analysis of this testimony shows that the following causes have been most frequently advanced by the witnesses who have been questioned on this subject:

1. *Largely a world-wide movement arising from a laudable desire for better living conditions.* Advanced by representatives of labor, sociologists and employers, and generally endorsed.

2. *A protest against low wages, long hours, and improper working conditions in many industries.* Advanced by practically all labor representatives and assented to by many employers.

3. *A desire on the part of the workers for a voice in the determination of the conditions under which they labor, and a revolt against arbitrary treatment of individual workers and against the suppression of organization.* This was almost uniformly approved by labor witnesses.

4. *Unemployment and the insecurity of employment.* Generally advanced by witnesses from every standpoint.

5. *Unjust distribution of the product of industry.* Advanced by most labor representatives and agreed to by some employers.

6. *Misunderstanding and prejudice.* Agreed to by employers and employes.

7. *Agitation and agitators.* Generally advanced by employers but defended by labor representatives and others as a necessary means of education.

8. *The rapid rise of prices as compared with wages.* This was given by a very large number of employers, labor witnesses, and students of industrial conditions.

9. *A rapidly growing feeling that redress for injustice and oppression cannot be secured through existing governmental institutions.* The statement came from a large number of labor witnesses.

In addition, it has been stated by many

¹ Commission on Industrial Relations, *First Annual Report*, Washington, D. C., Barnard & Miller Print, Chicago, 1914, pp. 19-22.

witnesses that the tremendous immigration of the last quarter century, while not itself a direct cause of unrest, has served to accentuate the conditions arising from other causes by creating an oversupply of labor, unfamiliar with American customs, language, and conditions.

The causes of unrest outlined above summarize the testimony of a very large number of experienced and thoughtful witnesses, and received some measure of assent from the representatives of the employers, employees and the observing public.

There are, however, a number of causes, which must be considered in relation to the partisan bias of the various witnesses who urged them.

CAUSES OF UNREST ADVANCED BY EMPLOYERS

1. Normal and healthy desire for better living conditions.
2. Misunderstanding and prejudice. Lack of conception that interests of labor and capital are identical.
3. Agitation by politicians and irresponsible agitators.
4. Unemployment.
5. Unreasonable demands arising from strength of organization.
6. Labor leaders who stir up trouble to keep themselves in office and to graft on employers.
7. Inefficiency of workers, resulting in ever increasing cost of living.
8. Rapidly increasing complexity of industry.
9. Sudden transition of large numbers of foreigners from repression to freedom, which makes them an easy prey to labor agitators.
10. Universal craze to get rich quick.
11. Decay of old ideas of honesty and thrift.
12. Misinformation in newspapers.
13. Too many organizations for combative purposes instead of for cooperation.

14. Violence in labor troubles.
15. Sympathetic strikes and jurisdictional disputes.
16. Boycotting and picketing.
17. Meddlesome and burdensome legislation.
18. The "closed shop," which makes for labor monopoly.
19. Financial irresponsibility of labor unions.

CAUSES OF UNREST ADVANCED BY EMPLOYEES AND THEIR REPRESENTATIVES

1. Normal and healthy desire for better living conditions.
2. Protest against low wages, long hours, insanitary and dangerous conditions existing in many industries.
3. Demand for industrial democracy, and revolt against the suppression of organization.
4. Unemployment, and the insecurity which the wage earner feels at all times.
5. Unjust distribution of the product of industry. "Exploitation of the many by the favored few." "Demand for full share of production."
6. Unjust attitude of police and courts.
7. There is one law for the rich, another for the poor.
8. Immigration and the consequent oversupply of labor.
9. Existence of a "double standard," which sanctions only a poor living in return for the hardest manual labor, and at the same time luxury for persons who perform no useful service whatever.
10. Disregard of grievances of individual employees and lack of machinery for redressing the same.
11. Control by "Big Business" over both industry and state.
12. Fear on the part of those in comfortable positions of being driven to poverty by sickness, accident, or involuntary loss of employment.

13. Inefficiency of workers on account of lack of proper training.

14. Unfair competition from prison and other exploited labor.

15. The rapid pace of modern industry, which results in accidents and premature old age.

16. Lack of attention to sickness and accidents, and the difficulty and delay incident to securing compensation for accidents under the common law and under the statutes of states which have not adopted modern methods dealing with these questions.

17. Arbitrary discharge of employes.

18. Blacklisting of individual employes.

19. Exploitation and cruel treatment of women and children in industry.

20. Promotion of violence by the use of gunmen, spies, and provokers hired by employers.

21. Attempt to destroy unionism by the pretense of the "open shop."

22. Ignorance of social economics on the part of employers and indifference toward the well-being of their employes.

23. Monopolization of land and natural resources.

24. Suppression of free speech and right of peaceful assembly.

unionism in the United States provided for many years a standard pattern of interpretation.

What concerns men primarily in their social relationships as ends to be striven for is not forms of organizations but standards of living—using this phrase to cover not merely the narrow economic aspect of life but social standards generally, including moral and judicial as well as material conditions, rights, and privileges. As social beings we are all concerned primarily with the problem of living as presented¹ by these conditions and standards; and our attention is focused on the solution of this problem in terms of our particular needs and the peculiar circumstances which we have to face and overcome. In our efforts to comprehend and solve this problem each of us develops more or less completely and systematically an interpretation of life—an explanation of things as they are in terms of the conditions and relationships of which we are conscious and the forces which determine these. And along with this interpretation there tends to grow up in the mind of each some plan or scheme for the modification or complete alteration of the situation in the furtherance of his special ideals or interests.

The wageworker is no exception in respect to all this. His hopes and fears center primarily about such matters as employment, wages and hours, conditions of work, modes of remuneration—in short, the most vital concerns which immediately touch his present and future well-being—and the economic, ethical, and juridical conditions, standards, and forces that practically determine these matters; and his mind focuses on the problem of living as presented in these terms. In his attempt to comprehend and solve this problem he also develops some sort of social viewpoint—an interpretation of the

ROBERT F. HOXIE ¹

A Sociopsychological Interpretation

Robert F. Hoxie (1868-1916) was an American labor economist and university professor whose work on trade-

¹ Robert F. Hoxie, *Trade Unionism in the United States*, copyright 1921 by D. Appleton-Century Company, Inc., reprinted by permission of Appleton-Century-Crofts, Inc., pp. 56-61, 64-67.

social situation as viewed from the standpoint of his peculiar experiences and needs—and a set of beliefs concerning what should and can be done to better the situation, especially as it bears upon the conditions of living which he faces.

The scope and character of this viewpoint and the mode of its development in the mind of the worker vary with the individual. If he is by nature and training thoughtful and independent, he may work out his own conclusions, subject of course to the unconscious influence of the general body of opinion about him, and his interpretation and solution may cover the widest range, including not only the immediate economic conditions and relationships which confront him, but the ethical and legal foundations upon which these rest. One indeed frequently encounters workmen who have thus possessed themselves of a complete and often esoteric social philosophy.

If, on the other hand, the individual worker is intellectually untrained and sluggish, his view is likely to be relatively narrow, concerned mainly with his own immediate conditions and relationships, and taken over bodily from the current opinion of his associates. In such cases he is likely to reflect merely the opinions of some stronger or more expansive personality who has constituted himself a leader. But whatever its range or quality, and however it may have been acquired, each worker possesses and is guided by some sort of social philosophy rooted in his peculiar temperament and in his immediate experiences and relationships.

It is evident that under these circumstances workers similarly situated economically and socially, closely associated and not too divergent in temperament and training, will tend to develop a common interpretation of the social situation and a common solution of the problem of living. This may come about gradually and

spontaneously, or it may be the apparently sudden outcome of some crisis in the lives of the men concerned. It may, for example, result immediately from some alteration for the worse in the conditions of living, or an interference with what are considered established rights and modes of action, of which cases in point would be wholesale discharges from employment or the discharge of favorite individuals, a lowering of the wage rate, the requirement of more onerous or more dangerous conditions of work, a sudden rise in the prices of necessities, some police action or legal decision which touches the workers on the raw with respect to modes of action or their assumed dignity and rights as men. Or this crystallization of sentiment may come about as the result of the appearance from without or the rise from within the group of a purposeful agitator and leader—a man whose personality or position commands attention, who is capable of putting into general form the discontents of the individuals and offering a positive solution of their difficulties. But whatever the immediate cause, the result is the same. A social group is thus constituted, marked off by a more or less unified and well-developed but effective viewpoint or group psychology.

As soon as this state of affairs has been reached group action is a natural consequence. Those whose interpretations of the situation and solutions of the problem are sufficiently alike to make cooperation apparently possible, spontaneously or under purposeful leadership band themselves together for common effort and mutual assistance. They come together thus, not primarily to establish and vindicate a form of organization—the organization is merely means to end—but to establish and maintain certain conditions of living—to put through a remedial program based on their common interpretation of the social

situation viewed from the standpoint of their immediate conditions and needs.

Thus the union comes into existence. It goes back in its genesis ultimately to the common needs and problems of the wage-workers; it arises immediately out of the consciousness of the common or group character of those needs and problems; it exists for common action looking to the betterment of the living conditions; it appears primarily as a group interpretation of the social situation in which the workers find themselves, and a remedial program in the form of aims, policies, and methods; the organization and the specific form or structure which it takes are merely the instruments which the group adopts for propagating its viewpoint and putting its program into effect. In short, looking at it from the standpoint of motives and ends, as well as from that of its character as a social problem, the heart and core of the thing—its essential aspect or expression—is functional. Its structural or organic expression is secondary and dependent. . . .

It has been the habit of students to look upon trade unionism as fundamentally an economic manifestation and to interpret it almost exclusively, or at least primarily, in terms of industrial or economic factors. . . .

These attempts at explanation simply or mainly in industrial or economic terms result largely from the habit of regarding unionism primarily as an organic phenomenon and thus centering the attention on structural forms and changes, and are the chief cause for failure to recognize the possible nonunitary character of unionism. For as soon as we discard the older mode of approach and look at unionism as primarily functional in character, the appearance of orderly succession vanishes, and the simple modes of interpretation described above are seen to be altogether inadequate to account for the facts. We

have then to explain chiefly the existence of contradictory group interpretations and programs which succeed each other apparently in no order accountable for by changes in the economic situation, and which appear, as we have pointed out, not only consecutively in conjunction with different systems of production and marketing, but concurrently, and not merely in the same general industrial and social milieu, but among workers in the same trade and even in the same union.

Evidently functional variations thus existing and persisting cannot be explained in economic or even in environmental terms alone. They can be accounted for only on the supposition that primary forces besides the industrial and environmental are vitally responsible for their genesis and being. In short, an interpretation of unionism, not in monistic, but in dualistic or pluralistic terms is required.

What then conceivably are these relatively permanent, non-industrial factors which enter into the determination of the primary or functional character of unionism? Since these diverse viewpoints and interpretations which make up unionism are obviously specific cases of group or social psychology, we have merely to inquire what are the determining factors of the psychology of social groups. This query the social psychologist stands ready to answer with considerable assurance. He assures us that one of these factors is environment—not economic environment merely, but political, social, and traditional as well, in the sense of the whole body of transmitted sentiments, ideas, and precepts—moral, religious, and customary. But he assures us also that over against environment as thus broadly interpreted is another factor, perhaps equally potent and certainly more permanent. This is the subjective factor. It includes temperament and aptitudes, both personal and racial, which show themselves as between different races

and individuals in relatively permanent and conflicting feelings, ideals, and attitudes. It is these temperamental differences plus environmental influences that at any moment cause individuals to differ in respect to what is good and bad, right and wrong, just and unjust; which mold and color their social interpretations, and thus, through the primal forces of association, bring about psychological groups with diverse and conflicting viewpoints and programs of action. We may then reasonably conclude that the existence of concurrent and conflicting functional variants is to be explained as the outcome of different combinations of all these relatively permanent forces that affect the psychology of group membership, both environmental and subjective or temperamental, and since the functional aspect of unionism is its primary and essential expression it also is to be explained causally and historically in the same terms.

BURLEIGH B. GARDNER¹

The Functions of a Union

Burleigh B. Gardner (1904-) is an industrial consultant associated with the Human Relations Research group at the University of Chicago.

A labor union is ordinarily thought of as something extraneous, an excrescence upon the structure of industry, rather than as an integral part of it. Actually a union is as much a part of the total structure as an engineering or accounting organiza-

tion, and the fact that it does not exist in some plants makes it no less a part of the structure when it does exist. Probably the fact that it usually arises out of the desires of the workers rather than as a decision of management leads to the belief that it is something apart and outside. From our point of view, however, whatever organizations or groupings exist within any given plant organization are all equally parts of the structure of that plant. This does not mean that the plant could not function without any one of its parts. The fact is that the one basic relationship in a factory is probably that of workers at work producing goods. All other organizations and relations are built upon this, but they are nonetheless integrated parts of the whole plant structure. . . .

Union organization often develops as a result of management's limited point of view and of restricted communication within the structure. In the supervisory ranks the whole focus of attention is upon getting the job done and upon conditions affecting the job. This leads to a habit of thinking of the workers as merely tools, merely means to the real goal, production. The attitudes and problems of workers are likely to be treated as unimportant compared to the job, and workers feel that management is indifferent to them. They feel that their future, their rewards and satisfactions, are controlled by a management which is basically indifferent to them and their desires. Furthermore, because of their subordinate position at the bottom of the hierarchy, they feel blocked and helpless to get anyone to listen to them. The line of authority is their one accepted means of communication with management. This means that their immediate supervisor, the foreman, is the one to whom they have to take their grievances. The way in which the complaints are handled and the satisfactions they

¹ Burleigh B. Gardner, *Human Relations in Industry*, Richard D. Irwin, Inc., Chicago, 1945, pp. 96, 98-99, 100.

receive are dependent upon the effectiveness of the immediate supervisor in carrying them up the line. If he is indifferent, they do not feel free to take their problems above him except as a most reckless venture. If he is sympathetic, they know that he may be blocked by the indifference of those above him.

With a union, however, the situation is considerably altered. The union is the workers' own organization; it is concerned with what they think is important; the focus of its attention is on the workers, not on the work. The fact of a union gives the workers a feeling of unity as a group, which makes them feel protected and courageous. As individual workers they hesitate to stand up for their rights against their bosses; and when one does occasionally, the others look upon him as brave but foolhardy. But as union members, with a group behind them to back them up and protect them, they can speak without fear. Furthermore, their immediate supervisors are not then the only ones to whom they can go with their complaints; they can take their grievances to their union representatives and expect to get some action. . . .

Besides giving them this feeling of strength as a group, the union has a variety of other functions for the workers. Most important, it has highly formalized procedures by means of which it can bring its demands, the workers' demands, directly to top management if necessary, and thrust its point of view upon them without being delayed and blocked by intermediate supervisory levels. Through its stewards and other officials, it serves as another channel of communication through which information can move up through the structure even as far as top management. Unlike other channels, however, communication through the union is not controlled by management. The union is

not trying to satisfy the demands of management for information, it is not trying to give management only the "good news," and it is not trying to protect itself from management's criticism. On the contrary, union communication is seldom simply for the purpose of keeping management informed, but is predominantly concerned with bringing to management criticisms of the way line organizations are functioning and demands for changes. In this respect the union is unique in the industrial structure. In all the other organizations in the structure the great bulk of communication takes the form of information moving up and criticisms and demands moving down. Communication upward through the union, however, serves to put pressure on management and supervision, and sets in motion changes in activities in a way that other forms of communication fail to do. Significantly, however, the union can not make the decisions nor actually take the action necessary to solve the problems about which it complains and makes demands. It acts largely as a mechanism for getting supervision's attention to employees' interests, insisting on decisions, and speeding up action.

CARLETON H. PARKER¹

Psychological Compensation Theory

Carleton H. Parker (1879-1918), professor of economics at the University of California, was one of the first to go out in the field and investigate unrest among

¹ From *The Casual Laborer and Other Essays* by Carleton H. Parker, copyright, 1920, by Harcourt, Brace and Company, Inc., pp. 51-52, 161-63.

the casual labor forces of the West Coast. He also worked for the United States Department of Labor.

The most notable inferiority compensation in industrial life is the strike. The strike has two prerequisites,—a satisfactory obsession in the labor mind, and a sufficient decay in the eyes of labor of the prestige of social norms, to allow the laborer to make those breaches of law and convention which a well-run strike of today demands. The violence of the strike varies directly with both the psychic annoyance due to the obsession and with the extent of decay in the striker's eyes of conventional mores. Veblen has shown how modern machine technology gives a causal, deterministic bias to labor class thinking and how this bias makes impossible the acceptance at face value of the mystic, anthropomorphic pretensions of law and business rights. These pretensions seem fitted to endure only in a society experiencing a placid, unaroused and ox-like existence, or in one where the prestige of law and order is maintained by a large professional army and a policy of frightfulness not rendered inefficient by the inopportune presence of emotional religions. Neither of these prerequisites is present in America, so our strikes tend to reflect without serious modification both the psychic ill-health generated by the worker's experience, and the rapid and interesting decay of the respect and popularity of the law, the courts, property, and the rich man. Trotter has described modern social revolt as the war between man stimulated by his sore psychical experiences and the Power of the Herd. This is but a Veblen-esque description of the strike. . . .

Even if labor-class children evade those repressive deportment traditions that characterize the life of the middle-class young, at a later date in the life of these working-class members certain powerful forces in

their environment, though they work on the less susceptible and less plastic natures of mature individuals, produce obsessions and thwartings which function at times, exclusively almost, in determining the behavior of great classes of the industrial population. The powerful forces of the working-class environment which thwart and balk instinct expression are suggested in the phrases "monotonous work," "dirty work," "simplified work," "mechanized work," the "servile place of labor," "insecure tenure of the job," "hire and fire," "winter unemployment," "the ever found union of the poor district with the crime district," and the "restricted district of prostitution," the "open shop," the "labor turnover," "poverty," the "bread lines," the "scrap heap," "destitution." If we postulate some sixteen instinct unit characters which are present under the laborer's blouse and insistently demand the same gratification that is, with painful care, planned for the college student, in just what kind of perverted compensations must a laborer indulge to make endurable his existence? A western hobo tries in a more or less frenzied way to compensate for a general all-embracing thwarting of his nature by a wonderful concentration of sublimation activities on the wander instinct. The monotony, indignity, dirt, and sexual apologies of, for instance, the unskilled worker's life bring their definite fixations, their definite irrational, inferiority obsessions.

The balked laborer here follows one of the two described lines of conduct: First, he either weakens, becomes inefficient, drifts away, loses interest in the quality of his work, drinks, deserts his family; or secondly, he indulges in a true type inferiority compensation, and in order to dignify himself, to eliminate for himself his inferiority in his own eyes, he strikes or brings on a strike; he commits violence, or he stays on the job and injures machin-

ery, or mutilates the materials. He is fit food for dynamite conspiracies. He is ready to make sabotage a part of his regular habit scheme. His condition is one of mental stress and unfocused psychic unrest, and could in all accuracy be called a definite industrial psychosis. He is neither willful nor responsible, he is suffering from a stereotyped mental disease.

E. WIGHT BAKKE¹

Why Workers Join Unions

Unions are promoted by persons and groups whose objectives are many and varied. Whatever the objectives, however, they must of necessity include service to the group being organized. Even the organizer who is primarily motivated by the desire for personal gain cannot develop the power and support essential to achieving that narrow objective unless his initial promise and its ultimate fulfillment are consistent with the satisfaction of the workers' needs, as they understand those needs.

What causes workers to join, or not to join, a union? The Division of Labor Studies at the Yale Institute of Human Relations has sought the answer to that question for the past several years. Primarily through extensive interviews with workers, both those who joined and those who refused to join during a number of organizing campaigns, we have tried to learn what caused them to respond as they did. The hypothesis to which we have come is simple. The elaboration is more

complex. That elaboration is not yet complete, but enough can be stated to indicate the direction in which it is developing. The hypothesis is this:

"The worker reacts favorably to union membership in proportion to the strength of his belief that this step will reduce his frustrations and anxieties and will further his opportunities relevant to the achievement of his standards of successful living. He reacts unfavorably in proportion to the strength of his belief that this step will increase his frustrations and anxieties and will reduce his opportunities relevant to the achievement of such standards."

The theory of behavior underlying this hypothesis is clear. The worker approaches a critical situation with a lifetime of experience from which he has learned that certain achievements spell successful living. He has faced both obstacles and opportunities with respect to such achievements, many of them common to other workers. Ways of dealing with such facts have been devised by inventive individuals, have proved or failed to prove their survival value as successful ways, and have come to be accepted as the appropriate pattern of living, the folkways of the group. It is important to both the individual and the group that these ways of the folk should be stable so that, in the majority of problems faced by either, the appropriate response will suggest itself, and each will know more or less what to expect of the other. In the interests of stability the group metes out to its members rewards if they conform, punishments if they do not conform. The approved folkways are reinforced in a host of ways, by ritual, codes, rights, philosophy, and faith, expressed in the law, the folklore, and literature as well as in the symbols and slogans of the group—all of which are used as instruments to make effective the rewards and punishments to which any individual is subjected. Since these are important fac-

¹ E. Wight Bakke, "Why Workers Join Unions," *Personnel*, American Management Association, Vol. 22, No. 1, pp. 2-11.

tors in determining the degree of success a worker has in reaching his goals, it is possible to suggest subsidiary hypotheses to the one stated above, namely:

"A worker's willingness to join a union varies directly with the degree to which association with and participation in the union would reinforce normal group attachments and interests, would involve practices consistent with his normal ways, and would be consistent with the codes, the philosophy, the faith he shares with the group. His unwillingness varies directly with the degree to which association with and participation in the union would destroy or weaken normal group attachments and interests, would involve practices inconsistent with his normal ways, and would be inconsistent with the codes, the philosophy, the faith he shares with the group."

The initial question that we need to answer in order to explain the worker's response to the appeal of the organizer is therefore: "What is his definition of successful living—what is he working toward?" We then would need to ask: "What progress has he made? What obstacles and opportunities has he encountered? What does he customarily do about them? How does the union affect the situation?" In answering these questions we shall necessarily find ourselves considering the consistency of his associations, practices, and thoughts as a union man with the folkways and their reinforcements in the group or groups to which he belongs.

Analysis of our interviews with workers has indicated almost universal recognition that one is living successfully if he is making progress toward the experience and assurance of:

A. The society and respect of other people.

B. The degree of creature comforts and economic security possessed by the most favored of his customary associates.

C. Independence in and control over his own affairs.

D. Understanding of the forces and factors at work in his world.

E. Integrity.

We shall refer to these as the workers' goals. Workers would not phrase them in this way. They may have made no conscious formulation of such objectives. These goals are our shorthand description of the types of responses which were made when, during our interviews, workers talked about what they were striving toward, what marked a man as successful, what their anxieties and hopes were.

Thus stated, these goals may not differ in type from those motivating other groups in society. It is in their realistic content that the differences will be found. What is meant by these goals when sought by workers is defined by the realities of working-class life.

Now, how would participation in activities of a union affect the workers' progress toward these goals? It is well to remember that the worker does not join unions in general, but rather joins a specific union. Unions vary considerably in their nature and practices. We can suggest therefore only potential effects, which will be modified by the particular circumstances in each organizing situation.

What effect might union membership have on the desire of the worker for the society and respect of his fellows? He knows what is expected of one who "stands in well." Socially respected roles are recognized among workers as among all groups. The man who plays these roles is "a right guy."

Some of these roles are closely related to his job. Let us consider them first.

Men whose jobs are interchangeable and carry very few prestige differentials are provided by the union with an opportunity to function in roles which do provide variations in prestige. As a shop steward or union officer or member of the grievance committee, a worker can become "a fellow your buddies look to." Such positions give him the opportunity to win other workers' approval by being "a fellow who stands up to the boss" with impunity. The role of "a fellow who stands up to the boss" is made more significant because the definition of the boss has been enlarged to include not merely the foreman but "the head office in Pittsburgh." He can win prestige as "a guy that gets results" in such matters as the distribution of work, assignment to jobs, seniority policy, and protection from discrimination. In shops where union security has proceeded far enough to permit union-management co-operation, the role of "producer" takes on new meaning. Moreover, since being a "producer" is dependent on holding a job, and since the union promises to provide greater job security, the possibility of playing this role may be enhanced.

Not only in the shop, but in union associations, the worker has increased opportunities for distinction among his fellows. The "good union man" who is loyal to his "brothers" denotes a new status. It is defined and buttressed by a code of conduct, by symbols such as buttons and the union card, and by responsibilities and opportunities for service which distinguish him from nonunion workers. The very contrast with those laggard workers who "don't pull their own oar" and who at worst may be "scabs" or "finks" or "traitors" makes him more aware, by negative implication, of his status and the consequent role he plays as a "good union man." He is sent to conventions and deliberations on policy of

the larger organization of which he is a part, and when he returns, his brothers hang on his words.

His role as a "union man" may readily provide an opportunity to appear in a new role before other citizens in the community. As a representative of the union before community groups, before public agencies of various sorts, before organizations of citizens concerned with community improvements (such as getting a new trade school), he is conscious of a new importance of his group and himself in community affairs.

It is obvious that an individual worker cannot hope to find his socially respected roles amplified in *all* these ways. Only a few will realize success in many of the roles offered. But the significance of the union lies in the fact that it furnishes opportunities to do so consistent with the realities of working-class life. The socially respected role is dependent not upon getting out of the working class but remaining in it. The latter alternative is much more likely than the former to be the fate of the great majority of workers. Such roles offered to men who join unions may, therefore, potentially decrease the frustrations attendant upon the present efforts of many to achieve a status that only a minority can attain.

Whether or not he achieves individual distinction as a union man, the whole process of union organization and activity makes the worker aware of the dignity and importance of the class in society to which he belongs. It allies him with a larger group in all parts of the country and the world, a group which has a history. He is no longer playing an isolated individual role. He is part of a movement.

It is true, of course, that these new roles which appear as opportunities to reduce frustration and anxiety for some workers might and do appear as obstacles to the status ambitions of others. If the worker

measures "social respect" by reference to the judgment of an anti-union employer, or of a wife or daughter who are "social climbers," or of those non-working-class individuals to whose occupation he aspires, roles available to union men which bear the unmistakable mark of the working class may actually appear to frustrate his desire to play the socially respected role toward which he is aiming. Even among his working associates anti-union feeling may be so strong that joining a union, despite its many opportunities for the playing of new roles important in themselves, may set him back in the eyes of his fellows. One can never assume, therefore, that union membership will win him the society and respect of other people, without asking: "What people? To whom does this man look for society and respect?"

Does union membership promise to reinforce normal family, religious, occupational, and racial associations and interests, or does it seem apt to weaken them or even introduce the worker to new associations which he does not desire? That is an important question, the answer to which may be felt rather than thought or expressed. But the answer will help determine his reaction to the union. Family pressure has led more than one man to reject union membership; so has pressure from his buddies in the shop or from the members of his church. Such pressure may, of course, operate in exactly the opposite direction by favoring union membership. Whatever may be the interests or fears which produce such attitudes within the group, the worker is well aware of them and hesitates to act counter to the compulsions placed upon him.

Within the shop and particularly within his own department, the co-operation and good will of his workmates are extremely important. The roll of any union contains the names of some men who have joined for little reason other than that, "If the

other boys want a union, why then I'm for it too." The importance of getting the right material on time, of finding his machine in good order, or obtaining a helping hand when necessary, of being on good terms with his fellows, of being able to feel a welcomed participant in their good-natured banter is sufficient to make most workers think twice before ostracizing themselves by refusal to go along with the group. At best, therefore, the worker who is not inhibited by the anti-union sentiment of the members of groups whose approval and support he desires, finds that the union can strengthen his relations with his fellows by providing increased and purposeful opportunities for interaction, new and important foci for mutual interest.

In view of the degree to which individuals depend upon and are integrated with the interests, practices, and standards of the groups with which they are associated, it is not surprising that a union which sends out "out-group" organizers, or gets the "wrong crowd" in first, often finds its organizing campaign stalled with a small portion of the potential members signed up. Nor will any union organizer who has entered a community composed of varied religious, nationality, and racial stocks, or one who has begun his work in a shop where job distinctions are clearly drawn and emphasized by a traditionally recognized hierarchy of status relationships, be inclined to underestimate the probability that has been here stated as an hypothesis: Willingness to join a union varies directly with the degree to which association with the union would reinforce normal group attachments, and inversely with the degree to which it would weaken such attachments or make necessary new undesired attachments.

Association is not mere contact; it is made real by observance of the same mode

of behavior, by the use of similar practices in meeting routine and critical problems.

We may expect the response to the organizer, therefore, to vary with the degree to which the worker believes his behavior as a union member or that of other union members is consistent with or runs counter to normal folkways. A union organizer may be fortunate enough to be thrown into a situation where the customary ways and standards have proved ineffective or outmoded in the recent experience of the workers. His prospective members may be frustrated in their attempts to achieve their goals through familiar techniques. They may be aware of being exploited because of their adherence to the familiar ways. A change in technology, in management procedures, or in job opportunities, or the disappearance of customary securities or an accumulation of grievances, may force a search for new ways. If so, his job is easier.

Joining a union, nevertheless, normally makes it necessary for workers to learn new and sometimes radically different practices and to revise the ethical standards which sanction such acts. Reliance on co-operative action becomes more important than complete dependence on individual effort. Group decisions must often replace individual choices. Submission to management authority must give way to a challenging of such authority at certain points. A newly organized group or one in formation will often resort to forms of pressure which run counter to the individual freedoms the worker has assumed he enjoyed. Orders come and must be obeyed from sources of authority other than those to which he is accustomed. Even in the most democratic of unions, and to a degree proportional to the reality of their democracy, new, unfamiliar, and oftentimes irksome forms of duty and responsibility are imposed. New standards of obligations to the employer, to fellow

workers, to the community, and even to one's family must become *right*. New tactics of conflict and co-operation must be learned, be sanctioned by success, and be rationalized into harmony with old mores or supported by newly acquired ethical standards.

All this can be and is done. But it is useless to ignore the fact that union practices and standards were until recently an innovation for workers in many areas of American industrial life, and as such must overcome the handicap of newness for workers who have inherited folkways and mores evolved in a nonunion environment.

The promise of the union, therefore, to improve the position of workers and reduce their frustrations and anxieties in connection with their desire for the society and respect of their fellows does not proceed up a one-way street. The promise may or may not appear realistic to a particular worker or group of workers. The reaction cannot be certain until the votes are in, and cannot be predicted unless it is known what the particular workers involved mean by "the society and respect of their fellows" and how membership in this particular union fits into that conception.

The second major goal of workers is to achieve that *measure of creature comforts and economic security possessed by the most favored of their customary associates*. We have found little evidence that the average worker's definition of economic security goes much beyond this. Comparisons of the incomes of the "upper 10 per cent" and that of workers play very little part in their appraisal of their own fortunes. "Enough for three square meals a day, and not the same damn thing tomorrow." . . . "Enough to keep me and the family in good health." . . . "Enough to pay my bills and not to worry." . . . "Enough not to be a burden to anyone in my old age." . . . "Enough to have a

margin so I can enjoy myself." . . . "A steady job I can count on"—these are the recurring elements in the definition. What is meant by "enough" is measured in terms of the most favored of one's customary associates, although the emphasis upon "an American standard of living" is beginning to make itself felt. Yet the incomes of most workers are so close to the margin of want in terms of those standards that the statement of one worker may represent the judgment of most: "I guess what I really mean by fair wages is more wages, and more regular wages."

We need not labor the point that union promises and efforts in the field of wage and job betterment strike a ready response at this point unless the workers' hopes in this respect are dependent upon the behavior of those who are in a position to make union membership an obstacle. A specific union, of course, may have a record for favoritism in job allocations or for internal corruptness which would give the worker pause before counting on union membership to better his economic position. Memories of lost or drawn-out strikes are effective in reducing the enthusiasm of many workers. "Better wages, hours, and working conditions" are promises, however, which do not seem likely to lose their appeal in the near future.

The third goal common to most workers and exceptionally important in the case of a large minority is to gain an increasing measure of independence in and control over their own affairs. This goal can be stated negatively, and perhaps more realistically, as the objective of reducing the control exercised by others. To this end the union has a large contribution to make. Almost every item in the union program and in the trade agreement promotes this contribution by placing restrictions on management discretion. The employer's control is governed by a body of industrial jurisprudence, and his action

must follow a due process of law before substantial changes are made in the value of the worker's "property in a job."

Not only does the union provide the worker with an instrument for reducing the employer's control, but the arrangements of collective bargaining help him to reach the employer. The union and collective bargaining provide institutional arrangements consistent with the fact that the employer who exercises control is, in many cases, not an individual but an institution. Whatever, then, may be the worker's definition of his employer—be it foreman, general manager, or the "head office in Pittsburgh"—the union helps him locate the employer and provides an instrument of control consistent with the nature of the one who holds power over his job, his wages, and his working conditions.

More than this, the power of the union extends beyond the factory gates to bring pressure to bear upon business, industrial, community, and government agencies which are responsible for dealing with those larger impersonal social, political, and economic forces of which the worker is vaguely conscious. As an individual, he is powerless before the sweep of such forces. As a union member, he becomes increasingly aware that "something can be done" about them. The action may be more or less effective, but he need not simply bow his head and "take it."

Anyone familiar with the political structure of unions will be aware, of course, that the degree of participation of the rank-and-file worker in this control varies considerably from one union to another. Such structures range all the way from those which are exceptionally democratic to those which are dictatorships. It should be noted, however, that even the most autocratic of unions can diminish the control of the employer over the worker's affairs, and that, in any case, in an organization in which he has a voice, led by

those of his own class dependent upon him for continuation in office, it is possible to bring labor autocrats closer into line with his own desires.

We should neglect a very important factor in explaining some workers' hesitation or refusal to join unions, however, if we did not recognize that they fear that the transfer of control from employers to union officials will only further frustrate their efforts to achieve an increasing measure of control over their own affairs.

Another goal which we have found shared by most workers is a desire to understand the forces and factors whose impact they experience. This desire is not merely indicative of a search for an instrument of control. Indeed, it is quite possible that the discovery of the realistic nature of these factors and forces might well increase their awareness of the difficulties in or impossibility of controlling them. That is not the point. It may not be true that "knowledge is power," but it is equally untrue that "ignorance is bliss." In a culture which has glorified the thinking man, a lack of understanding of why things happen as they do is intolerably frustrating. Workers share the general culture in this respect.

The dominant folklore in America, in terms of which explanations are sought, stresses individual opportunity and responsibility for success or failure, freedom of choice and contract, the social benevolence resulting from individual effort in the pursuit of profit, the ultimate justice in an uncontrolled and impersonal operation of the laws of supply and demand, and the certainty of all forms of progress. This does not give many workers a satisfactory explanation of why things are as they are in their particular part of the world. Their attempts to apply the dominant folklore as it is usually interpreted have resulted in confusion as frequently as in understanding.

Unions in the United States have not proceeded as far as those in some countries in developing an alternative folklore glorifying collective opportunities and group solidarity, and explaining the nature of social and economic forces with which workers' groups must deal. But all unions have undertaken some such educational activities. It can be safely stated that their efforts have come closer to the realities of the worker's experience and have been couched in terms more closely adapted to his power of understanding than the general education provided all citizens.

Most difficult of all the worker's goals to define clearly is the one we have called the experience and assurance of integrity. We use the word in the sense of "wholeness." Perhaps the best way to introduce the matter is to list some of the recurring comments which suggested this as a major objective: "You've got to keep your self-respect." . . . "No use being crooked with yourself." . . . "As Lincoln said, 'You can fool a part of the people all the time, and all of the people part of the time,' but why try to fool yourself any of the time?" This is one aspect of the goal of integrity. We shall label it "self-respect." It involves an inner conviction that a man should be consistent within himself; his acts and thoughts should jibe with his personal standards.

There is another aspect of integrity which demands that not only shall he "be fair" with himself but that other people shall treat him "right," that is, in harmony with his own conception of himself and his worth. "They ought to treat you like a human being, you know." . . . "I'm as good as they are, any day." . . . "That sort of treatment goes against my sense of justice. Whatever justice is, that ain't it." We may label this aspect "justice." In its simplest form it looks toward a consistency between the worker's own con-

viction of personal worth and the way he is treated. That sense of justice may be violated by treatment afforded to others to whom an individual ascribes the same worth; and it may be violated, not only by people, but by the more impersonal forces that operate on human beings, such as technology, depressions, and societal institutions. (God, Himself, has on occasion come in for criticism on this score!)

Finally, in the comments of a number of workers we can identify another aspect of integrity which we may term "relationship." The emphasis here is upon the individual's being geared into a larger whole. The comments on such integration range from those relevant to the job, through those referring to social institutions and the local and national community, to those pertaining to the nature of the universe itself. What is the significance of what one is and does and thinks? How is all of that caught up and made a significant part of the total effort of the plant, the community, the nation, the world?

The worker may view membership in a particular union as an improvement in or a challenge to his opportunities for realization of self-respect. The union may promise a technique of closer approximation to justice, or may in its program and policies violate his sense of justice. Membership in the union may offer just that channel of relationship to the whole process of production and societal activity which he seeks, or it may disturb a satisfactory adjustment which he has already made in this respect.

The desire for integrity is so individual in its expression that generalizations cannot be made; but when the organizer's invitation is considered by the worker, we may be sure that it will be tested consciously or unconsciously by its consistency with the attainment of that goal.

It would be impossible to weigh these

findings honestly and conclude that the organization of a union proceeded automatically and logically from the mode of production or the characteristic features of our industrial and business civilization. The nature of those features may suggest the sort of adaptation called for, and consistency with them may test its survival value. But the organizer must count on more than this to obtain signatures on membership cards and to get dues collected.

We have tried to indicate the factors which both encourage and discourage union membership. We are not attempting to make out a case either for or against unions. If the emphasis has appeared to be upon positive rather than upon negative values, that is because such emphasis is an honest reflection of the reactions of those whom we interviewed.

Whatever the success or failure of a particular organizing attempt, however, it is safe to conclude from the persistency of unions in industrial nations that on the whole they have met conscious needs of workers through a technique which in general conforms to their pattern of life. They have improved old methods of reaching the workers' goals, and added new ones within the possibilities of working-class life, geared, for instance, to the amount of education the worker has, to the fact that his employer is frequently not an individual but a corporation, to the kind of work he does, to the industrial status he occupies, to the kind of competition he faces for a job, and to the problems of making that job secure. At its best, a union enhances the value of a worker's associations with men of his own kind; builds up, strengthens, and helps enforce the codes that define the behavior of the men toward each other, their employer, and the community. All this is reinforced by folklore, by philosophy, sayings, slo-

gans, and symbols which he can understand, developed through union activity and thought. It is buttressed by rights and privileges won by group action. It is supported by sentiments and a faith which are distilled from the common experiences of men whose problems and pattern of living are much the same in their major aspects.

To classify unionism, therefore, merely as a mechanism for collective bargaining for economic advantages is to underrate its importance in a democracy. The contribution of unionism at its best is its provision of a pattern of life which offers chances of successful adjustment and goal realization, not for the few who get out of the working class but for the great majority who must stay there. It provides them with a realistic medium through which their common interests may be expressed and their common needs met. It gathers together the threads of individual lives, made of the same stuff but tangled, straightens them out and weaves them into a patterned fabric which is not only of importance in itself but which gives new importance to each thread.

CLINTON S. GOLDEN
and HAROLD J. RUTTENBERG¹

Motives for Union Membership

Clinton S. Golden (1886-), and Harold J. Ruttenberg (1914-), are labor leaders associated with the early development of the Steelworkers Organizing Committee and the CIO. They are

¹ Clinton S. Golden and Harold J. Ruttenberg, *The Dynamics of Industrial Democracy*, by permission of Harper & Brothers, New York, 1942, pp. 3-7.

commonly recognized as exponents of responsible and cooperative relations between unions and management.

Workers organize into labor unions not alone for economic motives but also for equally compelling psychological and social ones, so that they can participate in making the decisions that vitally affect them in their work and community life.

"Big Mike" worked in the Pennsylvania Railroad yards in Pittsburgh during the first World War. Workers, not jobs, were scarce then. In his twelve years with the road he had never secured a personal pass. One day "Big Mike" decided to get a pass to visit some friends in Philadelphia. Dressed in his working clothes, he went to see his boss at noon. He rushed into the middle of a conference in his office and brusquely demanded a pass. The boss bawled out "Big Mike" vigorously, commanded him to dress in clean clothes and return in an hour to make his request properly. An hour later he quietly entered the outer room of his office, politely waited until the boss was available, and presented himself in gentlemanly fashion.

"I am back," he began in a low voice.

"Now, that's better," the boss interrupted. "You have come to get your pass to ride the road."

"Big Mike" calmly replied, "No, Mr. Roberts, I just come back to tell you to go to hell 'cause I got a job on the B. & O."

Intertwined with the motives for union membership is the almost universal desire of workers to tell the boss "to go to hell." The causes that manifest themselves in this desire are rooted deeply in the personal lives of workers—in their psychology, and in their social situation—which, in turn, are influenced materially by economic factors. An inquiry into these causes goes back to the time when jobs were plentiful. "Big Mike's" rash action was not exceptional. During the first World

War and the nineteen twenties job opportunities permitted workers the freedom to quit when the boss insulted or humiliated them, or when the work was not to their liking. The statistics on labor turnover bear this out. This freedom gave the individual worker a feeling of internal strength. It made him independent. He could maintain his pride and dignity. He had the power to tell the boss off instead of having to suffer personal indignities because of fear of going without a job indefinitely. The individualism of workers, so evident in the twenties when union membership reached a new low point, grew out of this relative freedom of action.

Then this changed, and a revolution in industrial relations followed so fast that management and unions are trying still to catch up with it. The individual worker was compelled to "eat crow" when his boss jumped him, rightly or wrongly. He had to swallow his pride when he was "given hell" in front of his fellow workers. His dignity was reduced to low levels. Because of his family responsibilities he dared not do anything that might cost him his job. To speak up to the boss was one of these things, or it was feared to be. A complaint, or hint of dissatisfaction, about wages or working conditions to a boss only brought the rebuff "if you don't like it here, you can quit." Deprived of their one great individual strength—to change employers—workers groped in the depression for another source of power. Gradually, as jobs became fewer, working time was curtailed, and relief was forced on them, they found a new power in group action. What they could no longer achieve as individuals, they found they could do by joining together. The National Industrial Recovery Act in 1933 merely accelerated the process, it having been pregnant in the national economy. The progressive and large-scale organization of labor unions ever since indicates

the extent to which workers have begun to lose their individualism and acquire a group consciousness.

The strike, among other things, is a group expression of "Big Mike's" individual action in telling the boss "to go to hell." This is plainly observable in the early enthusiastic days of a strike and in the initial union-organizing meetings. Workers lost the freedom exercised by "Big Mike," but in losing it they gained the group freedom to tell the boss off. They could go to their strike or organizing meeting to hear their local union leaders and organizers denounce "the slave-driving boss and company dictatorship." The more names their leaders called the boss, the more workers booed, cheered, applauded, stamped the floor, and sang—in brief, they loved it. Back in the plant, significantly, most workers kept their tempers and held their tongues. They left the name calling and "the spouting off to the boss" to the few workers who, for a number of reasons, took the union leadership. This factor accounts for the belligerent type of local union officer in the early stages of collective bargaining. Management, in many instances, believes it would not have a union if it were not for a few disgruntled employees, but the way in which all of its employees strike to secure the reinstatement of one when management fires him soon shows the error of this mistaken belief.

This is not a revolt against the authority of management as such, but against its arbitrary use and abuses. These practices of management down through the years in nonunion mines, mills, and factories, that resulted in the industrial-relations changes of the last decade, set in motion an irresistible desire of workers to "get even" and "crack back." Where labor unions in their early days are preoccupied with "squaring accounts" for their members with management, the lat-

ter's chickens are only coming home to roost. A vital path to industrial peace is for management to understand this phenomenon, to be patient and co-operative while it works itself out. If not, union-management relations become immersed in management retaliatory acts against unions and keep in motion endless frictions. Within a usually short period of time the desire to tell the boss "to go to hell," which affords only temporary satisfactions, grows into a positive, constructive desire for participation in making the vital decisions from which workers derive lasting satisfactions.

Of the three motives for union membership—psychological, social, and economic—the latter is most commonly recognized. Workers want to improve their economic status, to secure a larger portion of the proceeds of production, and to make their lives more secure. The economic motive does not require either elaboration or illustration because it is so well known. What is necessary is a critical examination of the doctrine that the economic factors are all-dominating, even exclusive, in union-management relations.

The industrial peace of American industry has been disturbed, in large measure, because of the failure of management and, yes, many labor leaders to understand fully the several motives that impel workers to join unions of their own choosing.

For the past one hundred and fifty-six years—since the Philadelphia printers struck for a weekly minimum wage of six dollars in 1786—union-management relations have come to be viewed, quite wrongly, as economic warfare with periods of truce between strikes and lockouts. The sitdown strikes in Akron, Detroit, Flint, and other turbulent industrial centers, the "Memorial Day Massacre" in Chicago, and the bloody war in Harlan County, Kentucky—just to recall a few of the highlights in the "warfare between

Capital and Labor" during the last decade—have served to perpetuate the ingrown American attitude that the relations between management and unions constitute an ever-recurring, inevitable battle between the "sons of toil" and the "exploiters of labor." Industrial strife in American industry over the last several decades has been recurrent for two basic reasons. One is the absolute refusal of management to recognize the rights of workers to organize into unions of their own choosing, and the other is the overemphasis on the economic factors in union-management relations. This discussion is not concerned with the first cause of industrial strife, since the paths to industrial peace are predicated upon management's recognition of the rights of workers to organize freely. We are concerned only with the second cause.

To look upon industrial unrest and the formation of labor unions as springing primarily from economic factors is an oversimplification of the problems of human relations. The basic needs of the human beings who make up American industry's working force are threefold:

1. Economic—an adequate plane of living and the necessary amount of job and wage protection.
2. Psychological—the personality needs of freedom of action, self-expression, and creative outlets.
3. Social—the ties and bonds of group relations and community life.

Workers seek these three things in their jobs. When they fail to find satisfaction for all of these needs, or any one of them, in their daily work, they seek the fulfillment of the unsatisfied need or needs outside. This finds expression in many forms of individual and group activity. We are concerned solely with the manner in which workers seek a well-rounded life through union membership, and the ex-

tent to which they find satisfaction of their threefold needs through their unions. Union membership is not an escape or a substitute satisfaction, but a means for workers to find direct satisfaction in their daily jobs for economic, psychological, and social needs.

Which is the most important motive is an academic question. The practical consideration is that all three are important; no matter why a man or woman in industry says he or she is doing a certain

thing at a given time, that person is moved at the same time by psychological and social factors as well as by economic ones. All three motives are enveloped inside of human beings, are at work in varying degrees and in different ways, and are inseparable from those persons who are moved by them. To take out one motive and examine it, and then another is often misleading because it leaves the implication that the other motives are less crucial.

RICHARD A. LESTER¹

Industrial Class Alignments

Richard A. Lester (1908-) teaches labor economics at Princeton University. He has written a widely used textbook and has made extensive contributions in the fields of wage problems, social security, and labor organization.

INDUSTRIAL CLASS ALIGNMENTS IN THE UNITED STATES, 1880-1939*

(percentage of all gainful workers)

	1880	1890	1900	1910	1920	1930	1939
All employees	63.1	66.2	69.2	73.7	76.5	79.7	81.2
Wage-earners	52.7	54.4	56.5	57.1	55.0	54.3	54.3
Clerical and sales employees	6.5	7.5	8.0	11.1	14.7	17.3	18.3
Professional employees	2.8	3.1	3.4	3.7	4.2	5.2	5.6
Managerial employees	1.1	1.2	1.3	1.8	2.6	2.9	3.0
All enterprisers (self-employed or employers)	36.9	33.8	30.8	26.3	23.5	20.3	18.8
Farmers	27.8	24.6	21.4	17.6	16.0	12.7	11.8
Business enterprisers	8.0	8.0	8.2	7.7	6.5	6.6	6.1
Professional practitioners	1.1	1.2	1.2	1.0	1.0	1.0	0.9
All gainful workers	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Estimates based on census data and taken from Spurgeon Bell, *Productivity, Wages, and National Income*, 1940, p. 10.

¹ From *Economics of Labor*, by Richard A. Lester, copyright 1941 by The Macmillan Company and ed with their permission, p. 15.

2. History of Unionism in the United States

THE PURPOSE of this book is to provide the reader with materials which will help him to understand the forces at work today in relations among unions, management, and the public. For that reason the readings are focused on issues and institutions chiefly in the twentieth century rather than in the past. Wherever it is necessary to understand the origin of present problems, we have included historical materials. Among such problems are: the nature and structure of unionism itself (Chapters 1 and 5), the establishment of sovereignty by unions (Chapter 4), the development of unions' political power (Chapter 7), the reactions of management to unions (Chapter 9), the labor agreement (Chapter 16), and the legal status of unions (Chapter 25).

Selections which would adequately introduce the reader to all aspects of labor history in the United States would make a volume by themselves. The selections which follow merely provide a bird's-eye view of the major events and forces that have left their imprint on labor and management relations in the United States.

The story of the American labor movement since 1936 is too recent to permit fully objective treatment. Most of the available materials have the partisan point of view characteristic of attack or defense. Though the figures on union membership reveal the emergence of organized labor as a major force in American life, they do not reveal the significance of that emergence nor the nature of the impact of that force. Commentaries on such matters have been guided not merely by experience, but to a very large degree by anxieties and fears or by hopes and faith. A well-balanced set of selections from such commentaries would make interesting and exciting reading. But the purpose and scope of this book do not permit the presentation of such selections. Nevertheless it is worthwhile to look at the basic issues of deep and lasting concern to workers, union leaders, and managers.

First, unionism is a new experience to a majority of union members, to a great multitude of union officials, and to management, particularly in the mass-production industries. The social organization through which both workers and management carried on their daily tasks has had to be radically altered to accommodate this new factor in productive enterprise. Men and management were formerly

bound together in enterprise by devices in which the union had little or no part. The entrance of the union into making, executing, and assuring compliance with policy made necessary a radical revision in the functions and structure of management. It introduced a no less radical revision into the techniques and practices of workers. Their relations with management were now caught up in the operations of a political organization (the union), whose structure and functioning were not yet clearly defined even in the minds of its promoters. It goes without saying that the structure of these unions was neither stabilized nor perfectly adapted to the job they had to do. The reconciliation and integration of a management organization under the stress of severe change and a workers' organization just coming into being were bound to produce confusion and conflict. The reorganization of management devices and the organization of effective political devices for determining, expressing, and achieving workers' interests through unions are far from complete in large areas of industrial life.

Both management and workers, then, were trying to adjust themselves to each other and their activities to the objective of satisfactory production and a share of the product, through organizations which were in the throes of change or were just in process of formation. The individuals involved were insecure, forced to change their habits and the codes and standards that reinforced those habits. Imagine, for instance, what would happen in a university if the present method of determining what should be taught, how courses should be organized, the length of assignments, the number and kinds of tests, the awarding of grades were to be changed from practically unilateral decisions of the faculty to those of a joint faculty-student committee. Something of that sort happened in large areas of American industry when the union appeared. When a system of relationships and functions is changed, it takes time to make it work effectively, to say nothing of making it comfortable and satisfying to the participants. Even if the new system is technically perfect, the human factor will be troublesome. For the human habit patterns adjust slowly and often painfully to new social relationships.

A second group of factors has also been at work. The participants in this new experience approached it with attitudes which were not favorable to peace and stability. Why?

First of all many came to the task of mutual effort after taking part in a bitter civil war. Each was dealing with a party who only recently had been an enemy. The man across the table was a fellow with whom they had fought, with whom they might still have to fight in order to preserve their own organizations. Each was aware of having suffered what he considered to be a defeat or a victory. As a result, neither party could easily say, "Let's forget the past, bury the hatchet, and get on with the job." Their feelings and attitudes varied all the way from bitterness and resentment to elation and swashbuckling.

Second, attitudes were also influenced by the knowledge that a basic shift in power and prestige in industry was taking place from the leaders of business and industry to the leaders of organized labor. In the light of this knowledge, even

minor issues seemed to contain major threats or promises, for their solution might affect the outcome of larger issues.

Third, it was recognized that the effects of the new arrangements went beyond industrial relations only. The whole structure of status and influence and activities of management and workers and union leaders in the community was involved.

Put these factors together and the outcome in men's attitudes is not hard to understand. The union leaders are buoyed up with the opportunities offered; they are on the make; they want to exploit the opening with every power at their command. Consequently, they are evangelistic and expansionist in temper and impatient with any restrictions on their activity. The leaders of management are on the defensive; they are worried, apprehensive, and insecure; they feel they are slipping; they grasp hold of every established right and privilege which is being threatened; they proclaim the need for "restoring the balance" and devote their efforts to it. The chief objective in many union-management relationships during this period was either the expansion or the maintenance of the sovereignty of the particular organization with which the parties were identified. Only gradually are the parties coming to devote themselves to the objective which both of them declare to be their basic guide to action: "Mutual survival and the integration of their organizations in a working partnership in a common enterprise."

The achievement of such a partnership was not promoted by the presence among the parties of extremists in both camps, managers who could conceive of no other solution than preserving the nineteenth century system of relatively complete management freedom and control and eliminating any threat to that free control, and labor leaders who could conceive of no other solution than destroying free enterprise. Fortunately these two groups of proponents of class warfare were not numerous enough to shape the course of events. But they were numerous enough to keep old antagonisms alive and to develop new ones. Moreover, the internal conflicts within the labor movement itself hindered the stabilizing of new forms of relationship and encouraged decisions which were directed toward immediate rather than long-range advantages.

The fears of management and the hopes of labor leaders in this decade were amplified by two other factors:

1. Government's friendship and support for organized labor.
2. The position and status and function of labor leadership and management in the Second World War.

It is a matter of record that an administration favoring the extension of collective bargaining, and unions, particularly industrial unions, as its instruments, contributed great assistance to the drive for organization. Its help through legislation, administrative agencies, and judicial interpretations was substantial. Not only did it contribute to worker enthusiasm for organization, but it reduced many of the practical obstacles to organization. An increased interest in political activity and legal mechanisms as techniques in industrial relations inevitably followed. This interest increased not only among workers and union leaders but among em-

ployers as well. Many employers resented what they considered to be a biased partisanship of government for labor unions. Their normally unfavorable picture of unionism was enlarged to include what one of them described as "the unholy alliance between unions and government." Their reaction to "interference from unions" was reinforced by their traditional reaction to "interference from government." The situation suggested to them, as it suggested to union leaders, the possibility if not the necessity of political action to "improve the situation." The labor problem has entered politics on a greatly expanded scale. The outcome of this is still to be fully realized.

A closely related factor was the function of labor and management leadership in the Second World War. No government, whether friendly or not to organized labor, could have avoided enlisting that labor leadership in marshaling the nation's resources for war. The steps taken gave thousands of labor leaders, as well as management people, a new prominence and status, and positions of influence in relation to government agencies, that they had not before possessed. This experience "went to the head" of many management and labor leaders both. With many more, however, it brought out latent capacities for performance on a large stage which revealed potentialities for larger than provincial leadership. It is doubtful whether labor organizations under such leadership will ever return to the simple and local "bread and butter" unionism of the earlier period. The ground has been laid, the training given, the motivation provided, and the leadership revealed, for a major occupation of the labor movement with national and international issues and events.

This tendency was furthered by the introduction of both labor and management to a new conception of the scope and consequences of their economic actions. In a nation mobilized for war individual interests and opportunities must be exploited within the interests of the economy as a whole. National policies on wages, prices, allocation of resources, union security had to be developed and implemented. This is not to say that certain companies and unions did not "make a good thing" for themselves out of the situation. But the facts about national economic necessities were made available; agencies were established to integrate individual with national objectives; men were forced to trim their sails and chart their courses toward the objectives of the nation as a whole. This experience will not be easily erased. These men in management and unions know now better than ever before that the national economy is not merely a sum of its parts. Perhaps the lesson was too short to prevent a return to a mad scramble by individual unions and companies for economic advantage regardless of consequences to the economy as a whole. Only the future will tell. But if in that future mature leaders of labor and management think about their problems broadly and in long-range terms and realize the impact of their acts on the functioning of the entire economy and the relation of its health to the health of their own organizations, they will have learned this lesson of the war years.

This leads to a final comment on the circumstances during the past decade

which have influenced and will continue to influence the development of collective bargaining and unionism. In a sense this comment sums up all that we have been saying. The labor problem has become one of major public concern. The very numerical strength of unions would have made this inevitable. Whenever a group of people gains the strength and power to affect the welfare and happiness of the whole population, it becomes a center of public interest, and almost inevitably a focus of attempts at public control. These attempts are not necessarily anti-labor or anti-union, though they may be directed by groups and individuals with such sentiments. Basically, however, they result from general recognition that individuals and groups possessing the power to affect the public interest in a major way must act according to publicly approved codes of conduct. Unions have that power today, and everyone recognizes the fact. Major developments of this decade have placed the labor problem in the center of public attention and vital interest, and thereby stimulated public action.

The labor problem can no longer be ignored or discussed philosophically in after-dinner conversations by those who have no immediate concern with organizing or dealing with unions. Judgments rooted in personal experience, hearsay evidence, or intellectual gymnastics are inadequate. Moreover, we cannot be satisfied with analyses prompted merely by humanitarian sentiments or traditional prejudice. These types of thought will not get at the root of the problem nor prove a dependable guide to public action. Since that public action will profoundly affect in the immediate future the development of industrial relations in America, the public must consider realistically the actual nature of unions, management, and our economic and political institutions, and how these may be integrated to strengthen the basic principles and processes of our form of society.

NORMAN J. WARE¹

History of Trade Unions in the United States

Norman J. Ware (1886-) is a well-known labor economist, formerly member of the War Labor Board, Region 1, and arbitrator of a number of important

labor disputes. His chief scholarly works deal with the history of labor in the United States in the late nineteenth century.

The characteristics of American trade unionism—limited occupational and industrial penetration, instability of membership, craft and racial exclusiveness, absence of a permanent political labor front—are to be explained largely by several conditions peculiar to the history of the country. The first of these was until recently the almost unlimited possibilities of economic and social expansion. The open-

¹ Norman J. Ware, "Trade Unions—United States and Canada," *Encyclopedia of the Social Sciences*, Vol. 15, pp. 40-45, copyright 1934 by The Macmillan Company and used with their permission.

ing up of the public domain, often with government aid, made possible both an internal migration and an ever expanding area of opportunity for both capital and labor. The industrial worker who moved west seldom retained his original status or, when he did, found himself a part of a diversified community largely dominated by farmers. Another factor of importance was the absence of a feudalistic background and the more complete and earlier realization of the democratic revolution; this explains in part the persistent hold of the traditional individualism of American life and institutions, even after political and social equality ceased to be characteristic of economic and social groupings within the nation. The third factor is the lack of homogeneity in the working class; this became particularly marked after the Civil War, when there set in a mass heterogeneous immigration of labor coupled with the emergence of a free Negro laboring population handicapped doubly by color and previous condition of servitude. The fourth factor is the development in the last quarter of the nineteenth century of trustified industry which looked largely to immigrants without trade union background for its main source of unskilled labor supply. Finally, there is the influence of unprecedentedly rapid technological change in industry.

The effect of these factors on trade unionism up to the late 1880's, when the American Federation of Labor unions the present pattern of organization, was somewhat as follows: until 1820 unionism was confined largely to skilled local groups in the principal industrial centers along the Atlantic coast. In the following two decades these local craft societies, which in 1836 were estimated to include about 300,000 members in 160 local unions in the 5 principal industrial centers, made several attempts to set up

regional federations as well as national organizations in individual crafts. They also participated in the recurrent working men's parties and farmer-labor groups whose programs emphasized general measures of social and political equality and whose demands reflected anti-monopoly rather than proletarian aims. With the expansion of the market there began in 1850 the development of national unions of workers in a single craft: the typographers (1850), the journeymen stonemasons (1853), the hatters (1854), the iron molders (1859), the locomotive engineers (1863), the cigar makers (1864), the bricklayers, masons and plasterers (1865) and so on. Roughly these unions included the building crafts, the railroad workers and a few other skilled divisions of labor. Despite the inroads on stable organization made by the Civil War, the Homestead Act (1862) and the law permitting contract immigrant labor the period 1866-69 witnessed a new revival of unionism to an estimated membership of about 400,000. It was in this period that the National Labor Union was founded (1866), which despite its dominant trade union membership had other than trade union goals. The period was also marked by agitation for the eight-hour law and other types of protective labor legislation. Although the crisis of 1873 saw the downfall of this and other political labor groups, the national craft unions maintained themselves. No fewer than 16 of the most powerful craft unions of the early twentieth century were founded prior to 1880.

Preserving their autonomy and limited field of craft interests these craft unions remained outside the Knights of Labor when that organization took on the form of a general union with but limited autonomy for craft and industrial groupings. The appeal of the American Federation of Labor after its reorganization in 1886

to these national trade unions lay precisely in the degree of independence guaranteed them by its loose, federative structure, which at the same time protected them from dual unionism. Nevertheless, the railroad brotherhoods, after their experience with the Knights of Labor, preferred to maintain their independent character as organizations which discouraged the use of the strike. Indeed because of the exclusiveness of crafts and the insistence of many national trade unions upon preservation of their autonomy the AFL had an amazingly small membership up to the period of industrial expansion following the Spanish American War. In the late 1890's the trade union membership of the country had dropped from 1,000,000 in 1887 to between 400,000 and 500,000, of which the AFL could claim only slightly more than half. After 1897 the rapid growth of the coal miners' union and the affiliation of the building crafts unions, several of which had previously remained outside the federation, raised the AFL membership from 264,825 in 1897 to 1,676,200 in 1904, forming in the latter year over 80 percent of the total trade union membership of 2,072,700. The onset of the depression which lasted from 1904 to 1909; the institution of widespread wage cuts; the development of a strong employers' offensive, which resulted in the rupturing of important trade agreements, the punitive antiboycott court decisions in the Danbury Hatters' and the Buck's Stove and Range cases; the McNamara case of 1911, which contributed to the withdrawal of public favor enjoyed by labor in the earlier antitrust agitation; and the incursions of the Industrial Workers of the World among certain sectors of the AFL, all these factors led to a loss of membership, felt most keenly by the unions affiliated with the federation. With the economic upswing of the period from 1910 to

1914 there was a new spurt of activity, which included the expansion of the clothing unions, industrial and semi-industrial, and the growth of the coal miners' unions as well as of the craft federations. On the one hand, the challenge of the IWW and the rise in influence of the industrial unions and, on the other, the movement toward amalgamation dominated by the strong craft rather than by the industrial unions had brought about in the previous decade the creation of departments within the federation, which sought to reconcile and coordinate the interests of craft unions within a single industry. Outside the AFL the IWW conducted spectacular strikes in the textile and metal mining industries. A strong prolabor swing was reflected not only in the large socialist vote of 1912 but in the appointment of a labor man, W. B. Wilson, to the newly created post of secretary of labor. Legislative gains, such as restrictions on the sale of prison made goods, limitation of immigration, the Clayton Act of 1914 and the Seamen's Act of 1915, were outward signs of the new power of trade unionism in the American scene. This development made it possible for the trade unions to take advantage of their strategic position in the period of labor shortage during the World War. The representation of labor on governmental bodies, the organization of large masses of semiskilled and unskilled workers in the industries which gained through wartime activities, the Adamson Eight Hour Act of 1916, which applied to the railroads—all had repercussions in the rise of total union membership in 1920 to over 5,100,000, of which the AFL claimed nearly 4,100,000. . . .

Even with this growth the trade union organization, which in 1910 had accounted for only 10.9 percent of non-agricultural wage earners, included only 20.8 percent of the total in 1920. . . . An

analysis of trade union membership by industries shows a decided and growing concentration in the transportation, building and mining industries, which in 1910 accounted for 55 percent, in 1920 for 50 percent, in 1925 for 60 percent and in 1930 for 57 percent of the total trade union membership in the United States. The relative decline of the building trades membership in 1920 at the same time that the metal, machinery and shipbuilding group increased was due to the wartime stimulation of the latter industries and the decline of the former. The amazing decline in the mining and quarrying group from 1910 to 1930 was due as much to internal dissension in the United Mine Workers—the most powerful industrial union in the United States—as to economic conditions in the industry itself. . . . The only important groups outside the federation were the railroad brotherhoods, whose stand on compulsory arbitration diminished the possibility of affiliation, and the Amalgamated Clothing Workers' Union, which had been expelled in 1914 on a charge of dual unionism but was readmitted in 1933. Despite the gains of the AFL with unskilled and semiskilled workers, the remarkable growth of organization among governmental clerical employees, which led to a white collar membership of over 200,000, and the new spirit of interunion cooperation there was a continued decline in the trade unions from 1920 on. This retrogression may be attributed to various developments, among them the failure of the steel strike and the weakness of the campaign in the automobile industry, the neglect of industries in which women or Negroes predominated; the opposition of most sectors of the AFL to the continuation of the war-time system of government intervention; the anti-radical legislation of the post-war period often invoked against union organ-

izers and, finally, the employers' open shop and "welfare" campaigns. Company unions and employee representation plans increased from a membership of about 400,000 in 1919 to nearly 1,370,000 in 1926. In the face of this situation the upsurge of "one big unionism" in the northwest and in Canada, which culminated in the Seattle general strike; the activities of Communists in the "progressive" industrial or semi-industrial unions, of the miners and the needle trades, whose strength had already been reduced by under-employment, overproduction and cut-throat competition, these factors caused a swing away from progressive trends embodied in such manifestations as industrial unionism, workers' education, the type of policy exemplified by the Plumb Plan and the miners' proposal for nationalization and an enlarged interest in political labor movements.

Confronted by new challenges the labor unions turned to trade union-employer cooperation in order to encourage employers to deal with them. Labor-management cooperation schemes were initiated among railroad shopmen and in the clothing and hosiery industries, joint unemployment benefit schemes were established in the garment industries, and in general there was adopted the doctrine that increases in wages must be postulated on labor's contributions to increased production. This new strategy operated, however, only within those industries which were already organized, and little or no progress was made in the unorganized fields; the increasing importance of non-union areas in the coal and women's garment industries reduced the membership of these two AFL unions to a level lower than that which had obtained at the beginning of the century. Losses in trade union membership became even more

severe after the onset of the depression in 1929. Hour and wage standards in organized industry were broken down, and wages for those who still had work were by 1932 about 60 percent below the 1929 level.

Nevertheless, in any review of the trend since 1900 certain qualifications must be made with respect to particular unions and to the AFL. The first is that, despite the political conservatism of most of the American as contrasted with European unions, the former have shown a marked aggressiveness in the economic field through an application of comprehensive trade agreements and shop rules. Nor have they been lacking in readiness to strike whenever conditions were favorable. Notwithstanding the usual classification of American trade unions as craft unions it should be made clear that of 102 national or international unions (the term international is used because of the inclusion of Canadian unions) in the AFL in 1932 about 25 were of the pure craft union type, 50 were compound craft unions, 25 were amalgamated craft unions which operated as industrial units (as in the needle trades and textile industries), and the others, as in the mining and brewery industries, were pure industrial unions. The 307 local trade and federal labor unions with a membership of 11,368 in 1932, affiliated directly with the AFL, consisted of craft unions with no national body and of mixed groups of workers of different crafts. The very existence of an almost complete sovereignty in each international union has made possible the widest variety of industrial and political policies. The needle trades unions have been strongly influenced by political labor movements and have often endorsed measures, such as social insurance and unrestricted immigration, opposed by the federation. The unions vary also in their

accessibility to Negro workers, and despite the ban on dual unionism, which constitutes the chief hold of the federation over its affiliated bodies, internationals, notably in the needle trades, have given aid to and allied themselves with the Amalgamated Clothing Workers' Union. Nor is there any unanimity of practice with regard to the introduction of machinery or of production standards. Unions in the printing and garment trades in particular have agreed to both, subject to union participation and control; whereas the cigar makers' union has steadfastly refused to accept the machine.

Even the resistance of American trade unions to governmental provision of social insurance and of regulation has gradually given way, and recognition of the advisability of such measures has spread gradually from the progressive unions to the federation as a whole. The measures for workmen's compensation and old age benefits sponsored largely by socialistic groups have become acceptable to trade unions and in 1932 the federation reversed itself on unemployment insurance. The inauguration of the New Deal of the Roosevelt administration marked an even further departure. The federation had endorsed the 30-hour law as a measure to combat unemployment but had opposed comprehensive minimum wage legislation. The setting of such minima, however, under the National Industrial Recovery Act was not in principle opposed by the federation. The affirmative attitude toward independent collective bargaining (but not to the closed union shop) of section 7a of the act spurred a number of the more aggressive industrial unions, especially the miners and the needleworkers, to begin organization campaigns which laid the basis for favorable codes. A vigorous campaign was initiated also in the steel industry. Organization campaigns on an industrial rather

than a craft basis were launched in the electrical, automobile and rubber industries. In September, 1933, although the dues paying membership of the AFL was still only 2,526,796, the actual membership was nearer 4,000,000. About 300,000 workers have been organized in the 1300 new federal labor unions and 50,000 new recruits are enlisted in the existing federal unions. The national and international organizations affiliated with the federation had added 450,000 new members, and 300,000 newcomers were organized in new or recently admitted international unions, such as the Amalgamated Clothing Workers' Union. Still another 100,000 were exempt from dues because of unemployment. The new membership was responsible for a strong movement for industrial unionism, but the resolution embodying this demand in 1933 was defeated because the initiates were not entitled to vote. At the present time there is developing a renewed struggle between craft and industrial unionism as a result of the attempt by certain of the craft internationals to break up the new federal labor unions. . . .

Radical unionism has shown still greater fluctuations. The always unstable ranks of the IWW were decimated by the withdrawal of the Western Federation of Miners, by the post-war criminal syndicalism laws and the conversion of some groups to communism. After the decision in 1928 to set up dual unions the Communists established four such national bodies, but in 1931 their Trade Union Unity League claimed a total membership of only 30,485. The National Miners' Union, which at one time reported a membership of 20,000 is now practically dead, as is the National Textile Workers' Union. Although the league claimed a membership of almost 125,000 in 1934, it has an appreciable following only in the

New York fur industry. The decision in the codes for certain industries in which the league had previously had some membership, for example, in the women's garment and the shoe industries, to permit representation of only one body has led the Communist party to return to its policy of "boring from within" both in the AFL and in independent unions, at the same time that it maintains its skeleton dual unions and attempts to reach the Negroes, the unemployed and the field workers in industrialized agriculture. An insurgent movement among the coal miners of Illinois and the southwest, the National Progressive Miners' Union, while originally affiliated with the Conference for Progressive Labor Action, has since become "conservative" and as a result of the workings of the code is likely to have its membership reabsorbed by the United Mine Workers' Union.

While undoubtedly there has been a rise in radical sentiment within the last year among certain groups and while there is an apparent change in attitude even among conservative unions, there is little indication on the whole of any powerful political revolutionary trend in the American trade union movement. But the National Industrial Recovery Act of 1933, section 7a, has improved the position of labor in one important respect. It has given to the unions, and especially to the formerly unorganized workers in mass production industries, a new feeling of assurance in demanding recognition, higher wages, lower hours and "conditions." The illegal denial by some companies of collective bargaining and the uncertain course of the government in attempting to enforce the law are not so important as the new militancy of labor, growing as it does out of a feeling, perhaps mistaken, that the government is labor's friend.

HERBERT HARRIS¹

Labor's Civil War

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The passage of 7a and its aftermath, of course, evoked a widespread and spontaneous uprising of workers whose desire for unionism had been long repressed. But the Federation, with its ruling body, the Executive Council, dominated by the leaders of craft-type unions who clung fiercely to their narrow jurisdictional rights, failed to handle this vast new influx of the semi-skilled and unskilled labor with either vigor or vision. By the tens of thousands it placed eager new converts in federal labor unions, which are simply recruiting stations from which the various craft chieftains at their leisure siphon off anyone they can claim.

In Akron, for example, in the late summer of 1933, 4,500 rubber workers—inspired by two rank-and-file, home-grown leaders, Clark Culver and Fred Phillips—had organized themselves into an industrial union. They had adopted this style of organization, which is built around the product, as against the craft-type, which is built around skill, because it seemed the common-sense thing to do. They were all employed by the same firm; more than ninety-five per cent of them were unskilled and faced the same problems of highly mechanized mass-production industry. They applied to the AFL for a charter. Promptly from the Federation's headquarters in Washington, D. C., came Coleman Claherty, a veteran organizer of the old derby-wearing, "leave-it-to-me-

boys" school. When he arrived in Akron Claherty looked the situation over, nodded his head sadly, sagely. He had arrived, he said, in the nick of time. The big mistake, he pointed out to Messrs. Culver and Phillips, had been in setting up their new union on a plant-wide scale, instead of by the more sensible, longer-lasting craft-wise method. Culver and Phillips admitted that they were novices, and asked for guidance. Claherty set to work. He talked to the men. He found out what their jobs entailed. Then, in accord with traditional AFL craft concepts, and despite the counter-evidence of conveyor-belts, he fashioned from this single all-embracing union, nineteen different and separate locals: viz.: Blacksmiths, Box Makers, Brick Masons, Carpenters, Designers, Engineers, Electricians, Firemen, Machinists, Metal Workers, Mill Workers, Office Workers, Painters, Pipe Fitters, Plumbers, Printers, Sheet Metal Workers, Sign Painters, and Teamsters.

Under this new dispensation the members of each category were to wait and be assigned as ward to the AFL guardian to which they belonged by reason of "jurisdiction"; in short, the Blacksmiths were turned over to the International Brotherhood of Blacksmiths, Drop Forgers and Helpers; and so on with all the rest up and down the line. Atrophy promptly set in, as in every similar case.

It was this partitioning process that accounted for the Federation's failure to capitalize fully on the union sentiment then sweeping the country. It explains also, in part, why the AFL's so-called craft unions in 1933-5 increased their enrollments only by 13 per cent while its four industrial unions gained 130 per cent, exactly ten times as much over the same period.

Yet the greater success of the industrial unions was due to more than their structural form. The once-in-a-lifetime oppor-

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tunity offered to the AFL separated the quick from the dead among its chieftains, drawing a line between its labor leaders who were merely professional hacks and wheel-horses, and its leaders of labor who had spunk and energy and imagination. In the first category were the conservatives and in the second the liberals of the Federation; while a sprinkling of moderates, of men in between, composed perhaps another third of its officialdom.

SAN FRANCISCO CONVENTION

Late in 1934, a restive insurgent group, representing about thirty-one per cent of the AFL membership, and led by John L. Lewis of the United Mine Workers, the AFL's biggest affiliate, began to insist that the industrial-union principle be applied to organizing mass-production workers. It contended that unless the Federation changed its tactics in this respect it would forfeit most, if not all, the advantages to be derived from the New Deal's assistance to unionism. It pointed out that mechanization, except in the building trades, printing, and a handful of others had reduced to uniform levels all but a few of the individual skills. It argued that in autos, radio, cement, glass, steel, and other mass-production spheres a worker often performed in the course of a day a half-dozen different tasks that would make him liable to jurisdictional claims of as many AFL unions. It claimed that in an era of the new technology, of the photo-electric eye, and the automatic cold strip rolling mill, and the like, it was simply stupid to adhere to the organizing techniques evolved for the semi-handicraft workshop of a bygone age.

The Lewis faction, which included both craft, industrial, and "mixed" unions, intended originally to convert a majority of the AFL members to this point of view and thus change Federation policy. . . .

Yet when this question reached the con-

vention floor, craft stalwarts were suspicious of what any change in the status quo might do to them. Their apprehension was first expressed by William Hutcheson, hard-boiled, porcine, three-hundred-pound, bellowing czar of the Carpenters. For twenty years he had acted on the assumption that "God made the forests and then gave them to Bill," a favorite joke among AFL initiates. He had taken the implications of this sentiment very seriously, however. He was, and to this day remains, convinced that he has a proprietary interest in all work done with wood in the United States, and that American institutions would be menaced if he shared this privilege with anyone else. His stand and all it implied was echoed by the lean, leathery, shrewd, part-Cherokee Arthur O. Wharton. His belief that "man is but a skill-hungry animal" was rooted in his fear that the 76,000 Machinists he commanded were so widely scattered among hundreds of different industries that they would be the first to be absorbed into industrial unions, destroying both his organization and his influence as its head.

Both Hutcheson and Wharton, and others like them, wanted to be assured, time after time, that no craft stronghold would be invaded, that no forays would be made among those whom they repeatedly described as "our men." And it was this possessive, paternalistic view—endemic among craft leaders especially—that inspired Andrew Furuseth, aging one-time president of the International Seamen's Union, to warn against the "new tyranny" that this narrow approach to unionism had often induced.

"I have heard many times in the labor movement," he declared, "the term 'these are my men.' A delegate or a labor council or someone who is sent out to organize says 'you are my men.' Who the devil is he? That is the way the master talked for centuries of the slaves. . . . And then

along comes the employer and says, 'he belongs to me; he is my employe. You mustn't interfere with him, he is mine.' Is he? If he is, then our whole civilization is a lie, our religion is a lie, our American system of government is a lie. . . ."

He warned further against the tendency to make a union into a tight little monopoly, with overtones of a political machine, where the officers enjoyed a perpetuity of profits and prerogatives that set them adamantly against new methods, new objectives in organization, as potential threats to their own cushy positions. The implications of his speech embarrassed altogether too many of the delegates; and when he resumed his seat, amid perfunctory applause, the convention moved quickly to its close. The report of the resolutions committee was adopted by unanimous vote; and as a further gesture of goodwill and honest intention the importance of the industrial bloc was recognized by electing to the Executive Council John L. Lewis of the United Mine Workers, and David Dubinsky of the International Ladies' Garment Workers, heads of the two largest industrial unions in the country.

CRAFT VERSUS INDUSTRIAL UNIONISM

The advocates of the "industrial idea," both within and without the AFL, were jubilant over this apparent victory for their cause. But their elation soon evaporated. The presence of Lewis and Dubinsky in Executive Council deliberations after October 1934 was not enough to overcome its ingrained slothfulness. It was ten months before the council was prodded into giving the auto workers a limited industrial charter, and eleven before a similar privilege was conferred upon the rubber workers. Meanwhile valuable time was being lost. That first fine rapture in becoming a "union man," a desire which had swept spontaneously across the na-

tion's industrial front, was turning into disillusionment and disgust. Workers who had joined the catch-all federal unions in the hope of getting action on their grievances were getting fed-up by the AFL's procrastination. They were eager and full of enthusiasm, but they were being compelled to wait in a state of animated suspense while, typically, in a Cincinnati radio factory five different crafts quarreled for three months over the allegiance of a single worker. Recent converts began tearing up or turning in their cards at an alarming rate.

From the standpoint of building a strong labor movement, of making hay under New Deal sunshine, the AFL simply wasn't functioning; at the very best it was traveling a mile when it could have gone ten. On the council Lewis and Dubinsky, as spokesmen for the industrial unionists, argued themselves hoarse in sessions marked by profanity, plain talk, and the seismic rumblings of future upheaval. They asserted that the do-nothing policy exemplified by the council was betraying the best interests of workers in general and the long-run welfare of the Federation in particular. They cited statistics on the ever increasing installation of labor-saving devices. They pled, Lewis thunderously, Dubinsky artfully. Both were unable to find a fulcrum with which to budge the opposition of craft die-hards, ever fearful that their job-control cartels might be menaced.

Yet this divergence in outlook, widening day by day, was rooted not only in personal stakes of various chieftains, but more fundamentally in the different economic conditioning of the contending factions.

The council was dominated by building-trades unions, which sell the bulk of their labor energy in a local market while the industrial unions sell their labor energy in a national market. A union bricklayer

in Chicago who earns \$1.50 an hour doesn't have his wage-scale directly menaced by the non-union bricklayer in Montgomery, Alabama, who is getting \$.65 an hour. A building is not erected in Chicago for sale and shipment to somebody in Montgomery, or vice versa. The question of whether or not bricklaying labor is union or non-union is something that is settled locally with contractors who as a rule operate within the confines of a single city or county and even when they obtain out-of-town assignments do much, if not most, of their dealing with local labor.

On the other hand, the soft-coal miner in Virden, Illinois, who earns 90 cents an hour has reason to be worried by his equivalent, in Birmingham, Alabama, who is receiving half that amount. Their commodity is sold in a national market. . . .

Under these circumstances, as the United Mine Workers learned from years of disheartening experience, if you expect to maintain union rates of pay you have to organize a substantial majority of mines on a uniform basis to stabilize the industry before you can keep a stable union within it. Otherwise the chiseler is going to undersell the operator who is maintaining union wages and hours. The United Mine Workers long ago discovered that it could not expect the co-operative employer to be constantly undercut in his prices and placed at a competitive disadvantage and still meet its demands. There comes a day when he refuses to sign any contract with the union unless his rivals are bound by virtually the same terms. The essentials of this policy of course had proved to be as crucially necessary for stable effective unionism in women's wear and men's clothing as in coal-mining. . . .

The industrial group also had accepted, tentatively at least, the thesis that to flourish, even to exist, under present-day conditions, unions needed not only eco-

nomic organization but also the ability to direct votes for governors and congressmen and presidents who would continue to look upon labor as a sentient integer in the American equation, rather than as an inanimate commodity. And the best way to achieve this objective, Lewis and his colleagues believed, was to organize the unorganized, especially in mass-production areas, and to educate them into political consciousness so that at the polls labor would be a force with which both politicians and statesmen would have to reckon.

ATLANTIC CITY CONVENTION

The clash between the immovable object of labor's older localism and the irresistible force of its newer nationalism (along with other elements to be considered later) resulted in the great and tragic division in the American labor movement which occurred at the AFL's Atlantic City convention in October 1935.

The Lewis alignment colored the convention auditorium in a grim and bellacose mood. They had been sold out, they believed. The promises exacted at San Francisco a year before had remained only a paper triumph. They were ready to risk a show-down fight, even prematurely, with the odds against them.

Once more the vital resolutions committee was racked by disagreement as the craft-versus-industrial argument sharpened into bitter stubborn conflict. What was vague a year before was now etched in acid, what had been polite was now without gloves. Among the twenty-one resolutions examined by the committee, nine called for the immediate issuance of industrial charters in specific industries and twelve asked that various craft unions be promptly supplanted by the industrial form of organization.

In the majority report, eight members of the committee, led by John P. Frey,

opposed industrial unionism as embodied in these proposals, seeking to curtail any broad application of the San Francisco program. He affirmed that the 1934 statement had been "misunderstood." In the automotive industry, for example, he drew a strict distinction between "mass-production" workers along a conveyor belt and those in accessory and parts factories, although the mechanization in the latter is quite as intense as in assembly plants. . . .

The minority report, presented by Charles P. Howard, was the complete converse of the Frey findings. It urged the AFL to encourage mass-production workers to build industrial unions and to receive "unrestricted charters" which would "guarantee the right to accept into membership all workers employed in the industry." At the same time Howard asserted: "It is not the intention of this declaration of policy to permit the taking away from . . . craft unions any part of their present membership, or potential membership, in establishments where the dominant factor is skilled craftsmen. . . ." And as a corollary Howard suggested that the Executive Council should embark upon a campaign of winning over "company-dominated unions" by giving them also unrestricted charters, which, of course, would exclude craft unions from such predominantly mass-production spheres as autos, electrical appliances, cement, glass, steel and radio.

In the days of debate that followed the submission of these two at-loggerheads reports, Philip Murray, vice-president of the United Mine Workers, and Marshal Ney to Lewis's Napoleon, assailed the Executive Council for its failure to do anything intelligent or effective about organizing steel. He reminded the convention that steel workers in the Aliquippa and Ambridge regions of Pennsylvania had fashioned an up-and-coming indus-

trial union, on their own, against all the handicaps in the book. They had enrolled 6,500 out of a potential 8,000, although the moving spirits of this enterprise were never quite sure that they would get home alive when they set forth for a secret meeting, what with the marksmanship of company police and the presence of many stool-pigeons. And these new unionists, Murray said, proud of their achievement, asked the AFL for a charter. The crafts—aided by the Executive Council—responded with "business as usual." They dispatched their own organizers, who with great diligence broke up this nascent steel union into nine different parts, destroying the sense of solidarity so patiently nursed, while the usual atrophy began setting in. "And now," declared Murray, accusingly, "they have no organization, they have no charter, they have no independent union, they have no craft union. They are today where they were before they started their campaign eighteen months ago. . . ."

Despite such evidence, the veracity of which nobody challenged, Daniel Tobin of the Teamsters defied the "very gates of hell" to prevail against labor's rock of ages, the "rock of crafts' autonomy, craft trades." He envisioned the AFL's Founding Fathers, P. J. McGuire and Samuel Gompers, as "spirits" which "must writhe in persecution and misery listening to the charges and counter-charges (on the part of John L. Lewis) that this Federation of Labor has been twenty-five years of continuous failure." The entire industrial-union movement, Tobin declaimed, was really "an attempt to destroy the very foundations upon which this Federation has been built and upon which it has succeeded for years."

Nor did Lewis's baroque but brilliant rhetoric dissuade the majority of his audience from the Tobin point of view, although many of the five hundred dele-

gates afterwards declared that the address of the Miners' chieftain was the best they had ever heard.

The new unions, said Lewis, were "dying like the grass before the autumn sun." "Why not?" he asked, "make a contribution to the well-being of those who are not fortunate enough to be members of your organizations? The labor movement is organized upon the principle that the strong shall help the weak. Is it right, after all, that because some of us are capable of forging great and powerful unions of skilled craftsmen . . . we should lock ourselves up in our domain and say, 'I am merely working for those who pay me'? Isn't it right that we should contribute something of our own strength, our own knowledge, our own influence toward those less fortunately situated" if only because "if we help them and they grow strong, in turn we will be the beneficiaries of their changed status and their strength."

"The strength of a strong man," he continued, "is a prideful thing, but the unfortunate thing in life is that strong men do not remain strong. And that is just as true of unions and labor organizations. And whereas today the craft unions may be able to stand upon their own feet, and like mighty oaks before the gale, defy the lightning, the day may come when this changed scheme of things—and things are rapidly changing now—when these organizations will not be able to withstand the lightning and the gale. . . . Prepare yourselves by making a contribution now to your less fortunate brethren. . . . Organize the unorganized and in doing this make the American Federation of Labor, the greatest instrument . . . to befriend the cause of humanity and champion human rights. . . ."

Yet despite Lewis's eloquence the test vote on the motion to accept the minority

report of the industrial unionists was lost by a tally of 18,024 to 10,933.

COMMITTEE FOR INDUSTRIAL ORGANIZATION

And the day after the convention had been formally adjourned, nine labor chieftains—John L. Lewis, Philip Murray, John Brophy, Thomas Kennedy of the United Mine Workers; Sidney Hillman of the Amalgamated Clothing Workers, Thomas McMahon of the United Textile Workers, Max Zaritsky of the Hat, Cap and Millinery Workers, Charles P. Howard of the Typographers, and David Dubinsky of the International Ladies' Garment Workers held a seven-hour session at the Hotel President in Atlantic City and verbally gave birth to the Committee for Industrial Organization.

On November 9, 1935, in Washington, D. C., this group, already enlarged by the addition of Thomas Brown of the Mine, Mill and Smelter Workers and Harvey Fremming of the Oil Field, Gas, Well and Refinery Workers, officially launched the first CIO. It intended to function strictly as a special committee within the AFL. Its purpose, said its sponsors, was "to encourage and promote organization of the workers in the mass production and unorganized industries" and to affiliate them with the AFL. It was going to be "educational and advisory," and its chairman was Lewis, its secretary Howard, its executive director Brophy.

Some two weeks after the formation of the CIO, William Green expressed to its components his "apprehension and deep concern" lest the CIO become a "dual" movement, a rival of the AFL. He insisted that the genuine issue was not craft-versus-industrial unionism, but that of majority rule; that the question of organizational form should continue to be threshed out before the AFL's legislative body, its annual convention, since the democratic

process made it mandatory for a minority to abide by majority decision. . . .

"Dear Sir and Brother," said Lewis in a letter to Green on November 23, 1935, "Effective this date I resign as vice-president of the American Federation of Labor." And when the Executive Council gathered in special session in Miami early in January 1936, it was further shocked to receive from the CIO a request that industrial-union charters be granted at once to auto and rubber workers and to the independent National Radio union, and that a campaign be immediately undertaken in steel.

In reply the council demanded that the CIO "be immediately dissolved" since its very existence was a "challenge to the supremacy of the Federation." It refused to give an industrial charter to radio workers, offering them instead a class-B (non-voting) status within the Electricians' union. It assigned to Wharton's Machinists the right to absorb all workers in automotive parts and accessory plants and decided to unionize the rest of the motor industry along lines partly craft and partly industrial.

From that point forward, events rushed toward a cacophonous climax. In Washington late in January the United Mine Workers in convention voted to withhold \$48,000 in per capita dues to the AFL treasury, while Philip Murray received an ovation when he remarked: "I say to you as an officer of the United Mine Workers of America, the sooner we get to hell away from there [the AFL] the better off we will be." Simultaneously in Toledo the Federation of Flat Glass Workers approved the CIO plan to guide expansion in their field on an industrial basis. In Philadelphia the radio workers rejected the AFL demand that they be merged into the Brotherhood of Electrical Workers. On the 20th of February Green ordered 1,354 local and federal unions, 49

state federations (the extra one was for the District of Columbia), and 730 city centrals to regard the CIO as "verboten."

In April the CIO had already begun to ingest the decadent Amalgamated Association of Steel, Iron and Tin Workers, for whose allegiance it outmaneuvered the AFL. Shunting the Amalgamated's doddering officers like freight-cars to the sidings, the CIO collected \$500,000 for an energetic drive in the steel industry under the direction of the immensely able Philip Murray, chairman of the CIO's Steel Workers' Organizing Committee.

THE SCHISM IS FORMALIZED

More than anything else yet attempted by the CIO, this campaign alarmed the Executive Council. It foresaw that if the CIO attained any genuine measure of success in this undertaking, it would be so much strengthened in prestige and numbers that at the next AFL convention in November it would be able to defy with impunity any efforts to discipline its unorthodox behavior. On June 30, therefore, the council ordered the ten CIO unions to appear before it on July 7 and refute, if they could, the charge that they were fostering a movement of insurrection and rebellion. Otherwise, said the council, it would suspend all the CIO affiliates.

The CIO ignored the summons; the deadline date passed and none of the accused showed up. The AFL tried again. It asked the CIO, which, with the accession of the Auto and Rubber Workers early in July, now had twelve affiliates, to be present for trial on August 3. The CIO refused to appear. Instead it pointed out to the council that its suspension, in whole or in part, would be utterly illegal since to suspend was tantamount to expulsion, and that under Article IX, Section 12, of the AFL Constitution the ability to expel any affiliate was expressly reserved to a

two-thirds vote of the Federation's annual convention.

What the CIO didn't know, however, was that in May the Executive Council, by means of a legalistic procedure still surrounded by darkness, had invested itself with a new "implied power" by which it could sit as a court to hear charges of "breach of contract" between the AFL and its unions, to hold "trials" on such charges, and to suspend the defendants if found guilty. Hence on August 4, 1936, the CIO unions were ejected by a vote of 13 to 1 on the double count of creating a "dual" or competing movement and of refusing to comply with the "cease and desist" fiat of the Executive Council and were given a month, until September 5, to change their minds. But this ouster served only to stiffen the morale of the CIO, and no signs of repentance were visible as the day marking labor's new separatism came and went.

Then in November, in Tampa, the fifty-sixth annual convention of the AFL ratified the Executive Council's action by a 21,679 to 2,043 vote; but the impressive effect of this total was marred by the absence of the CIO and was merely a case of a craft-controlled convention vindicating a craft-controlled Executive Council. For it should be remembered that in Tampa the CIO was not officially represented. Whatever spokesmen it had were old-time friends like the Brewery Workers and the Bakers, and some "observers," who were at best ambassadors with neither country nor portfolio. It should also be recalled that the AFL had its die-hards and moderates in key positions even as the absentee CIO. The array of opposing forces, as exemplified by their central figures, resulted in a rare amount of fanfare and fulmination, for the implications of the impending split were beginning to concern leaders on both sides.

Participating in this melee even by re-

mote control and through the agency of intermediaries were the CIO die-hards Lewis and Howard and Hillman. And, contrary to the widespread impression that the needle-trades chieftains like Hillman, Dubinsky, and Zaritsky always see eye to eye, the fracas divided this trinity with Hillman (who has been in and out of the AFL) as adamant as Lewis, while Dubinsky and Zaritsky joined with McMahon of the Textile Workers to carry the standard for the CIO moderates. In the AFL camp Wharton of the Machinists, Coefield of the Plumbers, Tobin of the Teamsters were the dominant die-hards, with William Hutcheson lending aid and counsel. William Green and Matthew Woll, the latter less firmly, took their stand with the AFL moderates, seeking to help George M. Harrison of the Railway Clerks and Felix Knight of the Railway Carmen to achieve Armistice instead of Armageddon.

First off, to justify its totally illegal act of suspension, the Executive Council called upon Matthew Woll, who is an attorney. It was an assignment that even the fanciest corporation lawyer would have shunned; for the plain meaning of the English language has rarely had to be so tortured and twisted to serve a partisan cause.

"It is true," Woll admitted, "that nowhere specifically is the Executive Council authorized to suspend. . . . But necessarily, in the absence of any specific provision we must fall back to the doctrines adopted in all organizations, in all voluntary movements, accepted by courts, and universally as the practice; and that is the doctrine of assumed and implied considerations. And what is meant by that?" . . .

For ten days that shook America's labor world, the debates and jockeyings for position between the AFL and the CIO continued by telephone and telegraph, by lobbyings and whisperings, by coded mem-

oranda and confidential messengers, by trial-balloon discussions in secret hotel-room meetings, and in the press. While on the floor of the convention no fireworks were exploded, the behind-the-scenes activity resembled, in scope and intensity, the cabals and plottings of the 1920 Republican National Convention which conjured up Harding and back-to-normalcy out of a smoke-filled room.

In Washington John L. Lewis, who wanted a quick clean break, kept sending provocative telegrams to William Green to prod him into the retaliatory action instead of his fluttering verbal responses. In Miami, like Sheridan twenty miles away, David Dubinsky, who was to assume the role of perennial peacemaker, champed on his stubby cigars, his ear glued to a phone, ready to rush upon the scene of action should a propitious occasion arise. And in Tampa itself the ailing Charles P. Howard, CIO secretary, in a state of indecision, sulked like Achilles in his tent, not once setting foot in the convention hall though he remained in town for many days, and his hotel was but a few blocks distant from the battle-front.

Despite all these advances and withdrawals, the whole contest became a game nobody won. There was only inning after inning of no hits, no runs, no errors. The AFL die-hards didn't expel the CIO, and the moderates on both sides were given nothing tangible with which they might bargain to keep the CIO within the Federation, but obtained only the cheer residing in such phrases as "There is room enough for all, honor enough for all," and "United we stand, divided we fall." But even these platitudes brought little comfort when placed alongside the decision to keep the suspensions in force until the "breach be healed and adjusted under such terms and conditions as the Executive Council may deem best."

In March 1937, as the CIO was moving like a Roman legion battering down citadel after citadel of the open shop in steel, autos, glass, rubber, and other mass-production spheres, bringing unionism to a thousand places where it was merely a pious hope before, the AFL instructed all its city centrals and state federations to expel anyone who belonged to a CIO union. And over the protests of more than half a million AFL rank-and-file members this order was executed with an alertness that showed that at long last the AFL's officials, major and minor, were astir, and moving about with the instinctive celerity of organisms whose food supply is threatened by a more energetic member of the same species.

In altogether too many cases the heads of locals and secondary and tertiary business agents left their swivel chairs long enough to carry out the ejection of CIO adherents by the steam-roller methods of the ward boss. And once on their feet, all the AFL leaders had to get on their toes, and stay there, to offset the hard-hitting rivalry of the CIO, its daring, its gumption, its magnificent accomplishments. Within the AFL hundreds of leaders who for years had done nothing more arduous than collect their pay-checks now had to get out and hustle, to "keep the boys in line," for the CIO example of doing something for its members was too public not to be contagious.

Meanwhile the CIO, hitting back at the Federation's purge of members from the city and state alignments, began to form similar bodies of its own, calling them industrial councils. At the same time, at a special conference in Cincinnati on May 24, the AFL decided to increase the per capita tax of its loyal unions from one cent to two cents a month. The extra penny per member was to be used to forestall the CIO, wherever possible, and to enlarge the AFL by more intense organizing activity,

the second more as a function of the first. That this double purpose was celestial the AFL did not doubt, nor did its president.

"The first dual movement," William Green intoned on this occasion, "occurred in heaven itself, a place where harmony and peace prevailed. Yet a dual movement began," he went on, "when as a committee of one, Michael the Archangel rebelled against God and His authority. The executive council in heaven did not hesitate to act. After examining the facts, it expelled his Satanic Majesty and his dual movement from heaven."

And in June, in retaliation for the AFL's intensifying of hostilities, the devil's disciples, until then financed by voluntary contributions, mainly from the miners and the clothing and women's-wear workers, inaugurated their own system of per capita payments.

The division in the American labor movement was now complete.

PHILIP TAFT¹

Some Problems of the New Unions

Philip Taft (1902-) is one of the scholars associated with the Wisconsin group of labor historians. Now a teacher of labor economics at Brown University, he is the author of one of the leading textbooks in this field.

Some of the new unions operate in industries dominated by large aggregations of capital, where unionism had been repelled for many years. Labor organizations had not been allowed to gain a foot-

¹ Philip Taft, "Some Problems of the New Unions," *American Economic Review*, June, 1939, pp. 314 ff.

hold, and the older, more conservative unions were scarcely ever willing to challenge these citadels of industrial absolutism. Consequently the institutions of unionism lacked the opportunity for slow growth and development, and the workers were never allowed to build the leadership frequently indispensable for the proper functioning of the organizational machinery. We must remember that the situation of many of these young unions is considerably different from the position of an old organization which experiences a rapid increase in its membership. In the latter case, the governmental structure already exists, a body of seasoned and experienced unionists are on the scene, and the process of assimilation is much easier. In contrast, many of the new unions have been built from the ground up within a short period of time, and face the problem of building a new structure and quickly assimilating a large body of new members. Absentee management is also an important problem for the new unions. Away from the scene of operations the controlling groups are frequently unaware of changed conditions; and even when the absentee managers have no desire to fight unionism, the need to gain their consent for a new policy leads to needless delay which may exacerbate the strained relations.

In many cases firms recognizing labor organizations for the first time have refused to give to union members any preference in hiring or employment, which might encourage or compel the worker to support the union by regular payment of dues. This has created situations in which, even in instances where workers were willing to choose the union as their bargaining agent, they have often been unwilling to make the regular contributions needed to maintain the administrative staffs of the organization. . . .

It is true that workers who are willing to sign an application blank or vote for

the union in elections are sympathetic to unionism; but it needs to be emphasized that such sympathy is closely allied to political approval rather than to a desire to build a strong and independent economic organization. . . .

The new unions are also discovering that the skilled workers are not always anxious to join with their unskilled fellow-workers in one organization. Elections conducted by the several labor boards indicate that the skilled workers are frequently not anxious to affiliate with an industrial union, if given the choice of joining one organized on an industrial basis or one formed on craft union lines. . . .

The division between the CIO and the AFL prevents, for the present, any working out of a program of cooperation that would recognize the wishes of the skilled workers to remain independent, and yet cooperate in solving mutual economic problems. A number of other serious difficulties flow out of the division in the ranks of labor. Many unions affiliated with the CIO have been, in many cases, forced to combat the hostility to unions organized in the AFL, whose actual or nominal jurisdiction they were invading. The split in the labor movement means that struggles for jurisdiction are intensified to the detriment of the new unions.

The split between the AFL and the CIO is, however, more than an internal organizational problem. It not only exposes the entire labor movement, but the mutual charges and recriminations inevitably lead to an unfavorable reaction among the workers. The mutual attacks are especially serious for the new unions because their efforts are mainly carried on in sections of our economy where unionism is new and where discouragement is more easily spread. It is difficult to measure the effect of such charges and counter-charges; but the large anti-union votes in Labor Board elections are part of the bitter

fruit of the internecine warfare. . . . Another harmful effect of the inter-union warfare is that it has brought about a situation in many areas where competing organizations try to outpromise each other in their bid for membership. Outright strikebreaking by one union against another, and forcing workers off the job because they have joined the wrong union is another dangerous and harmful practice which threatens the new unions. Such tactics can lead only to disillusionment and suspicion, and the discrediting of all forms of independent organizations.

The new unions also face a further difficulty in that their members are, in many instances, employed by corporations that hire thousands of workers. It has always been assumed that the large union is the more powerful. That may be true if the membership is employed by a scattered number of small employers. Otherwise the efficiency of large numbers is open to question. Under conditions where the membership is scattered those employed can support those engaged in controversy with the employer. A large union is an advantage because it usually faces employers with relatively small resources. The workers pool their resources, and are able to divide the risks. The situation is different where the union faces an employer who hires several thousands. Calling all of the workers out on strike is undoubtedly a very serious problem to the employer. However, the losses incurred during a shutdown, though they may be proportionally larger for a large than for a small employer, can usually be borne more easily by the large employer. Moreover, the financial strain upon the union in a large-scale strike—such as Little Steel—may average close to \$100,000 a week. It means that a protracted strike against a large industrial concern, or a group of concerns, is extremely difficult. This is where the new unions are so much more

vulnerable than the older craft groups, whose members usually face relatively small employers, possessing limited resources. . . .

In a sense the limited and exclusive organizations could improve their positions, at least in part, at the expense of the remainder of the workers. Under conditions where all of the workers are organized, this is impossible. The granting of a vertical wage raise might hamper an employer from operating under existing price conditions, or at least reduce his profit margin to a point where he might feel that a struggle with the union is economically desirable. . . .

To what extent the inexperienced local leadership is responsible for the above and other difficulties cannot be estimated. Sufficient evidence exists to conclude that the local leaders have not always made the solution of problems easier. Nor have they always shown mature judgment and a desire to establish amicable relations with other groups. Some of this confusion and maladroitness was inevitably due to the inexperience of local leaders. . . . It is an old maxim that an army is just about as good as its non-commissioned officers, and it is in the "non-com" where the CIO is weakest. There can be no doubt that the general staff is composed of able negotiators, seasoned politicians and brilliant strategists; but no army can function effectively unless its field workers and subordinate officers are trained and experienced.

Prevented from using the reservoir of trained men friendly to the American Federation of Labor, the CIO has been forced, in many instances, to take them wherever it could find them. This rule harmonizes with the initial strategy of the organization campaign of "now or never." It was undoubtedly a great misfortune for all of American labor that in the hour of greatest opportunity to organize the unorganized, it was divided into warring factions;

and the group that had the greatest will to organize—the CIO—found itself forced to employ, in many cases, inexperienced and sometimes unreliable organizers. Moreover, the need for hastily recruiting organizers forced many of the unions to employ individuals who were not primarily union-minded, but to whom the union appeared as a favorable recruiting ground and agitation center for a political program. . . .

Many of the CIO unions, in their quest for organizers with at least some knowledge and experience, turned to members of a number of radical political groups. Among those chosen were some communists. It might be unfair to over-emphasize the communist influence in the CIO, but it would also be a mistake to underestimate it. The communist influence is not in what one would call the top leadership. . . . It may have been assumed that the heads of the CIO who had had experiences with the communists in their own unions, could handle the problem when the need arose, or it became serious. It must be remembered that the heads of the CIO—even though they exercise greater moral and even actual authority over the affiliated unions—are, in the last analysis, in a position relative to their affiliated bodies, not unlike the Executive Council of the American Federation of Labor to their affiliated internationals. Only in their own internationals do the leaders of the CIO possess the power of discipline, common to heads of international unions.

In some instances, international unions affiliated with the CIO are officered by members in sympathy with communist trade-union policy. It would be extremely difficult to eliminate them from authority as their unions are autonomous, and they themselves control the administrative and disciplinary machinery. There are also a considerable number of local officials who follow the communist party trade-union line. The effort to impose such policies

upon the union has, in a number of instances, created bitter factionalism. In unions like the United Automobile Workers, and the National Maritime Union, the factional activity of the communists has threatened the very existence of the unions.

It is customary for the communist publications to refer to all opposition as red-baiters, but objections to communist activity within unions need not be founded on fear of communism as a philosophy, but upon their conception of the relationship of communists to the union. It is questionable whether the economic organization can remain an autonomous body, functioning for the economic protection and improvement of its members when its policies are made by a caucus dominated by an outside political group, which may not be cognizant of or concerned with the special and peculiar problems of the union. Moreover the existence of a communist faction usually generates an opposition, and the effect upon the union is often disastrous. . . . The internal difficulties are due mainly to the youth of the organization, and the inexperience of the membership. The communist organizers were undoubtedly useful during the organizing campaigns, but now they are determined to "cash in" politically on their earlier activity. . . .

Another word about the effect of an inexperienced local leadership upon the new unions. Sufficient evidence exists to prove that their conduct has widened the breach in the organized labor movement. At times they have invaded well-organized jurisdictions creating chaos and disunity, as well as arousing the animus of earnest and progressive labor union officials. Ill-considered drives in organized industries have antagonized local and state representatives of the American Federation of Labor who had, in the past, espoused the principles of industrial unionism. Where more experienced leaders would have

sought to heal the breach, the heads of local CIO groups have often acted to widen it. In some instances it was due to inexperience, in others it was due to an exaggerated notion of the power of the new movement, and an under-estimation of the strength of the American Federation of Labor. . . .

A relevant question arises why irresponsible and inexperienced groups have been able to gain a commanding position in a number of the new unions. Are the workers in the mass-production industries different psychologically, and are they of a more radical political temper? It seems to me that both questions can be answered in the negative. A partial answer to the questions has already been given. It is also necessary to add that an important contributory factor is the rapidity of the growth of the new unions. The older organizations have grown slowly. They have had the time and the opportunity to develop their institutions, and also a group of trusted officials. A hierarchy of leaders is developed in time, and prestige and position play an important role in stifling opposition. Of course we must not overlook the importance of patronage, and favorable job opportunities for those who favor the union administration. Nevertheless, age, experience, reputation and service are important assets to any individual or group who would challenge the heads of a labor organization. In contrast, the new unions are not tradition-bound. They have no long history to look back upon; nor is it possible to ask an individual to show years of service as a sign of competence. They have no elders, who, like the guardians of the "Republic" are the depositories of accumulated wisdom and experience. Consequently an organized faction finds it easier to challenge the authority of the leaders, for in a traditionless society all articulate men are equal. Such situations are favorable soil for the politi-

cal factionists, and they have utilized them to full advantage.

The internal difficulties facing some of the new unions are very serious, and may lead to the destruction of the influence and power of the groups they afflict. However, in the past the trade-union movement has shown itself able to absorb and assimilate political groups. Those who gain leadership gradually become more union-minded, and become less amenable to outside influences. This, at least, has been the experience of the past. It is, of course, also possible that a union so afflicted may not be able to withstand the ravages which such factional activity generates. If, however, it possesses the vigor to overcome those difficulties, it may be only a matter of time before the politically-minded individuals are either eliminated or absorbed. The reason that such a course is inevitable, is that the union leader must serve the day-to-day needs of his constituents, and such needs are often in contrast with a radical political program. . . .

The character of some of the leadership has had its effect on employer relations. Striking cannot be considered a permanent job, nor can a union afford to keep the industry employing its members in a continuous state of turmoil. Permanent striking, like permanent revolution, is not the sort of policy which leads to order and stability. It cannot be denied that some of the new unions have been guilty of contract-violation, have been too ready for "job action" against small grievances, and have sometimes failed to utilize the existing machinery for conciliating disputes. These charges have been admitted by leading officers of the CIO. It is true that in some instances employers and their supervisors have refused to recognize the changed status of labor, and have acted as if they were operating in the halcyon twenties. This attitude has undoubtedly made it increasingly difficult for the more

responsible groups in the new unions, who were anxious to regularize their relations with employers and live up to their agreements. The hostility of some employers strengthens the very groups who are opposed to stabilized and harmonious employer relations. Nevertheless, the new unions must recognize that they are able to make a contribution to the efficient functioning of the industries employing them. They must prove to the employer that the unions are ready and willing to foster the welfare of the industry upon which both labor and capital depend for their livelihood. That there are groups in new unions which recognize that their continued existence and welfare depends upon the prosperity of the industry, and that the union must be more than a militant agency always waiting to attack is evident from the efforts of the SWOC to interest its members in the elimination of waste, improved methods of operation, and cooperating with management so as to regularize employment, improve safety, and give the membership some understanding of the difficulties of management. Such an attitude is possible only where the union has some feeling of security.

WILLIAM M. LEISERSON¹

Growing Pains of the American Labor Movement

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¹ William M. Leiserson, "Growing Pains of the American Labor Movement," *The Annals of the American Academy of Political and Social Science*, November, 1942, pp. 5 ff.

at Johns Hopkins University. He has held important posts in the Federal Government, including chairmanship of the National Railway Labor Panel, of the National Mediation Board, and member of the National Labor Relations Board.

The Government's policy of indifference alternating with opposition to labor organization was transformed (in the 1930's) to one of positive encouragement and assistance. Employers are now not only prohibited from using their time-honored methods of opposing, weakening, and destroying unions; they are compelled to bargain collectively when presented with demands by a union representing a majority of the employees in an appropriate bargaining unit. This, together with the restrictions on court interference with strike activities imposed by the Norris-LaGuardia Act, has not only equalized the bargaining power of organized labor with that of employers, but when the power of a national union is directed against a single employer or industrial establishment, the organized workers are often in the stronger position.

The change in the bargaining position of organized workers was accomplished by united political action of working people. Unorganized as well as organized labor voted solidly for the New Deal, and as wage earners gained economic strength, the political activity, influence, and power of organized labor grew apace. The political influence of business and industry correspondingly weakened, and to a large extent the position in the councils of government formerly held by the business leaders is now occupied by labor leaders. . . .

Whither is the American labor movement going? New times require new policies, and no doubt the labor movement of the future will have to play a

greater role in the political life of the Nation than it did in the past. But if this is to be done by injecting purely political issues into workers' organizations designed for collective-bargaining objectives, then there is indeed danger ahead for the American labor movement, if its history in the past has any meaning at all.

Recent history of organized labor is not reassuring. When John Lewis left the fold of the New Deal to support the Republican candidate for President he started a breach which has since split the CIO. . . . It was politics that brought this breach, not any issue involving labor union policy; and the first result of the breach was the scuttling of Labor's Non Partisan League, which, though sponsored by the CIO, had the support of some AFL unions. Similarly, the American Labor Party, designed to function as the political arm of organized labor in the state of New York, has been rent by right-wing and left-wing struggles for control, and has been further divided along the lines of the split in the CIO. In the past, politics has always tended to divide rather than to unify wage earners' movements, and the trends of recent labor history show the same tendency. . . .

Another trend is the recent tendency of the labor movement to distrust the Congress of the United States. Having achieved its major gains by congressional legislation, it now fears action by Congress and looks to the executive departments for the ends it seeks. (The Railroad Brotherhoods are a notable exception.) . . .

In the face of a critical Congress, now inclined to restrict the rights and privileges labor organizations have won, organized labor has concentrated its forces on the executive branch, and, in spite of the urgency of the war program, has made demands with little restraint. If organized

labor were in a mood to take stock, it would discover that it is growing increasingly dependent on the executive branch of the government not only for those things that it ordinarily strives to get by collective bargaining with employers, but also for the maintenance of its own membership and the stability of its structure as a combination of labor organizations. Indeed, organized labor now moves in a vicious circle: as it resorts more and more to political action to achieve its objectives, it tends to divide its members and to disrupt its organization; then it must appeal to government to use its coercive powers to force workers into the unions or to prevent members from resigning. . . .

To some extent the labor movement has committed itself to this policy because it fears an antiunion drive after the war which might destroy its gains. But it may be questioned whether unions are building security by having the government compel thousands, perhaps millions, of working people to join or to remain members against their will. Will such people be a source of strength or of weakness if employers do launch an antiunion drive? If, also, in the process of getting "union security" the Congress and large elements of the population are antagonized, how strong will the unions be to resist such attacks? . . .

But the solid strength of labor organizations is built on the arduous negotiation of collective agreements and on the skill with which they are afterward administered. By these means workers learn what a union means to them in their workplaces, and their loyalty is won and maintained. There are many indications that the concentration of organized labor's efforts to get awards from the War Labor Board has been weakening the main bulwark of the labor movement, which is the strength of its collective bargaining ma-

chinery. If this machinery is weakened, security imposed by government may well prove to be quicksand.

J. B. S. HARDMAN¹

CIO: First Ten Years and the Next

Review of the past is basic to speculation about the future. What is ahead of the CIO? The answer, to the extent that it can at all be made in the explosive circumstances of our time, relates to two aspects of the movement. One is the growth of the organization proper. The other is the part it is likely to play in the life of the nation. The two are closely interrelated.

Speculation as to the aspect of organization is concerned with possible growth, numerical strength, internal cohesion, an eventual merger with the AFL, or consolidation of the CIO and the AFL into a new national body, or continued existence of the CIO on the present basis.

As to the part the CIO is likely to play in American life, even definition of the area of speculation is difficult, except that the trend is clearly in the direction of increasing assertiveness. Participation, not isolation, has been the logic and the driving force of CIO leadership. In the ten years of its development the "participationist" orientation has grown in intent and content. During the war years the trend gained in momentum enhanced by considerations of national and democratic survival. Since the war, with the virtual obliteration of demarcation lines between national and international significance and

¹ From *Labor and Nation*, Vol. II, No. 1, November-December, 1946, p. 6 ff.

implications in nearly all issues of politics and economics, "participationism" has accordingly grown.

The men who started the CIO along its initial track, in 1936, and whose determined stand had forced the issue out of which the movement arose, were leaders with a sense of history. They recognized a major development when they saw it take shape. But those who would look ahead were not in majority in the councils of leadership.

It was indeed an amazing situation. Gaining momentum ever since 1932, a "wave of the future" was sweeping the United States. The call was for labor leadership with imagination and initiative, for a bold and purposeful drive toward organization and assertiveness, with power and influence as the rewarding end-result. But there was no scramble among the higher-ups in the movement to answer promptly. Most of the men in positions of leadership refused to discern in the upheaval more than that much sound and fury, certain to expend itself before long. Of the "generation to whom much was given and of whom much was expected," they plainly weren't ready for "a rendezvous with destiny."

Only a handful, a "small band of willful men"—ambitious, reckless, arrogant, were the epithets used—took the uphill road. And "millions marched" in response, founding new unions, crowding the old, creating a new condition of life in the United States. Then came, from the camp of the immobile, the emulators of the character in the story of the French revolutionary period, the man who watched from his window the crowd of demonstrators march by, and then rushed out shouting: "I must follow the crowd; I am their leader!"

The CIO now accounts for better than six million members in its affiliated national unions. It started out in 1936 with

less than one million. The net gain is five million in ten years. As against that, the AFL now reports membership of over seven million. In 1937, after the expulsion of the seceded unions who composed the initial Committee for Industrial Organization, AFL membership was given as 2,861,000. Its 1946 figure thus represents an increase of about four and a half million, in numbers about the same as the CIO for the same number of years but not quite the same in proportion. That increase and also the enrollment of hundreds of thousands of workers into unaffiliated, independent bonafide unions, even though not on the CIO balance sheet, clearly reflect the influence of the organizing force that the CIO helped to get into action.

In terms of end-results, it matters little which particular set of organizations played a greater part in the mobilization of American labor for participation in the country's economic and political progress. Labor was brought into motion with force, despatch and upon an unprecedented scale. And the men of the CIO certainly established an unchallengeable record of initiative. Of course, it is to be remembered, there was Organizer F. D. Roosevelt, not on the labor staff, but interested and effective, and the New Deal, with its legislative enactments and economic measures, greatly helped in the work of the staff organizers. It was Mr. Roosevelt's belief that an organized nation would cease to be a scared nation. Labor was the part of the nation to be organized first if the drive on and victory over *fear* were to be achieved.

The group of men who took hold of events and made—as a team—the exciting story of those early days of CIO, were not men unified in world outlook or clearly committed to a particular philosophy of history or even of one mind on most issues in the labor movement. To mention but

three who played a dominant part in the initial proceeding: John L. Lewis, Charles P. Howard and Sidney Hillman, they were men as different from one another as they come in the labor movement. But these men and the others in the group: Philip Murray, John Green, David Dubinsky, had one thing in common and that one thing singled them out from the top leadership of the labor movement of that time. They had a dynamic rather than a static approach to the business of union organization. They were, if the comparison can be used, "collective securitists" rather than "isolationists" in their concept of what is safe and sound for labor in an economic setup that is not overanxious to see the progress of unionism proceed unchecked. And they worked as a team. A couple fell out later on. Many others joined in.

The industrial form of organization was the central issue in the conflict. But back of that was an aim relatively simple in stature yet of vital significance. It was necessary to make unionism workable—which it had not been in most industries. The leadership of the new movement realized that the workers in the mass-production industries, even if they were willing to join, could no longer be contained and properly served in the airtight compartments of craft unionism. Hence, industrial form of organization was made the key issue. But it was also emphasized that the mere promulgation of industrial unionism was not of itself a foolproof promise of success. The core of the fight was to make unionism an effective provider of good pay and security. Together, the two—the form and the aim of the drive—were irresistible.

Industrial unionism, over which radicals and conservatives had argued, quarreled and split for about half a century, was not what made the CIO a going concern.

Indeed, the radical edge was taken out of the upheaval when its headship was assumed by John L. Lewis. He was not reputed to be inclined toward hitching his movement to a star upon the radical firmament. One couldn't paint JLL red and make the paint stick. The abstract social-philosophic and social-engineering aspects of the issue, as manifested in the earlier conflicts and breakups headed by Daniel De Leon, Eugene V. Debs and William D. Haywood, were absent from the overall picture, although here and there they were brought to bear upon the situation, and there is no way of knowing how much good or how much harm was done in each instance.

The essential disassociation of the generally progressive movement from fixed ideological content or commitment gave it cohesive strength and a practical outlook, while undoubtedly thousands of active workers in the development, here and there, saw in the drive an approval to a realization of their preferred *ism* and the hope for a "new day." If the opposition, which charged the new movement with being radical, was occasionally successful enough to halt a drive, the pronounced and virile progressivism of the movement paid off well. In fact, there was a need for a new faith, for spiritual uplift among the hundreds of thousands, probably millions, who had lost heart because of many earlier defeats and because of the general letdown produced by the downward course of unionism since the early twenties. The enthusiasm generated by faith soon began to feed on success. The movement in 1936-37 proved that unionism is possible everywhere and can provide economic advantage everywhere. It blasted the myth that certain categories of workers were unorganizable and that only in some weak or sheltered industries would unionization pay.

The CIO movement demonstrated two other significant points bearing on union policy. One, that unionism can register lasting progress only if it proves to be materially advantageous. The other, that when unions prove to be a *practical* success, their members are inclined to accept guidance toward *broad social aims*—provided that the leadership is willing and equipped to offer such guidance.

A non-orthodox point in CIO policy is readiness to utilize all possible legitimate methods of action for the achievement of an aim in view. Thus, from the beginning, prosecution of industrial aims has been aided by the use of political instrumentalities. Of course, others before had done that, but in the total CIO policy orientation there was no separation between unionism and political action. There was systematic integration between organizing activities, collective bargaining, political and legislative pressuring and campaigning. CIO policy of connecting industrial action with politics is studied and carefully worked out. The culmination of the new orientation was expressed in the launching of Labor's Non-Partisan League in 1936 and of the Political Action Committee in 1943.

What of the future? Will the CIO and the AFL merge?

There is perhaps no *real* reason why they shouldn't. But there seem to be *good* reasons why they may choose to continue apart. As of now, unity is not around the corner. But worse things can happen than parallel co-existence. Nominal unity is not the automatic assurance of successful performance. There was no division before 1935, yet unionism was in the doghouse. However desirable, unity is not the whole answer. Effectiveness of unionism being the objective of unity of unions, perhaps the test of preferable methods of organization still is not completed. Both sides

seem to be successful just now. Eventually a satisfactory basis for unification will probably be found. So far no effort has been made by either side that would engage the other side in as much as discussion of preliminaries.

Is the CIO likely to join in forming a new political party? The answer will be contingent on whether such action would promise more or less effective participation in the nation's life. The CIO is committed to a maximum of participation and it is certain to be found wherever a vital realignment of forces should appear to be in the making. The chances are that the CIO will be found among the initiators if and when the time and circumstances will make such a move appear to be of advantage. No theoretic assumption will prompt the CIO, any more than the AFL, upon a novel course of action.

Bearing upon current and future progress is the much discussed cleavage between communists and non-communists in the CIO. What is happening along these lines in single unions is common knowledge and there are a number of unions in which the conflict has gone beyond the "cold war" stage. But whether, in the national CIO, the contest will become more explosive than the passing of resolutions of disapproval of "communist interference" remains speculation at best.

Whatever the political sentiments of individual CIO leaders, they have as a group pursued the opportunistic policy of doing first things first. The issue of communists in the unions, to their way of thinking, is not in the category of first things, although devising a policy for intelligent dealing with the matter is probably something that should not be unduly delayed. Putting the communists down rather than out is probably the nearest to a summary of the prevailing mood of the non-communist leaders.

FLORENCE PETERSON¹

Membership in American Labor Unions, 1900-44

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MEMBERSHIP IN AMERICAN LABOR UNIONS, 1900-44

Year	Average annual membership	Year	Average annual membership
1900	868,500	1922	4,027,400
1901	1,124,700	1923	3,622,000
1902	1,375,900	1924	3,536,100
1903	1,913,900	1925	3,519,400
1904	2,072,700	1926	3,502,400
1905	2,022,300	1927	3,546,500
1906	1,907,300	1928	3,479,800
1907	2,080,400	1929	3,442,600
1908	2,130,600	1930	3,392,800
1909	2,005,600	1931	3,358,100
1910	2,140,500	1932	3,144,300
1911	2,343,400	1933	2,973,000
1912	2,452,400	1934	3,608,600
1913	2,716,300	1935	3,890,000
1914	2,687,100	1936	4,700,000
1915	2,582,600	1937	7,400,000
1916	2,772,700	1938	8,000,000
1917	3,061,400	1939	8,200,000
1918	3,467,300	1940	8,500,000
1919	4,125,200	1941	10,500,000
1920	5,047,800	1942	12,000,000
1921	4,781,300	1943	13,500,000

¹ From *American Labor Unions, What They Are and How They Work*, by Florence Peterson, copyright 1945 by Harper & Brothers and used with their permission, p. 56.

3. Organizing a Union

POSSIBLY a group of workers facing a common problem might simultaneously come to a unanimous awareness of the nature of their difficulty, a consensus as to what remedy was needed, and the conviction that a trade union would supply the remedy. It is possible, but not probable. Examples can be found in union history of such spontaneous conviction and action. The issue may be so simple, so immediate, and so clearly defined, the need for group action so definitely indicated, the possibilities of unionism so familiar, the group so well knit together, that such a result is all but inevitable. That is not the normal situation. It is more likely that the problem is complex, poorly defined, and imperfectly understood by the majority of the workers. Not all of them are certain what results to expect from group action. Acquaintance with unionism is often meager, and not always favorable. The group is split into factions and cliques with differing cultural backgrounds. The conclusion that a union is the answer to the need of the group is likely to occur, initially at least, to a single individual or at most to a small nucleus of workers. They will have to sell the idea to the rest.

The idea does not even always occur to the few without stimulus from someone outside their ranks. The initiative may be provided by an organizer from an International Union, from a federation of unions, from the Local Trades or Industrial Council, from a left-wing organization. The idea may be suggested by an outside individual or group having a liberal interest in "the labor problem." Even employers and employers' associations have been known to suggest organization, usually of the "company-union" or "independent union" type.

Certainly these potential initiators are not motivated in every case exclusively by the desire to improve the status of the workers, by a humanitarian and altruistic concern, or by a firm belief in "the union principle." Nor are their organizing energies always devoted primarily to those situations in which such desires, concern, and belief are most seriously challenged. How many employers have said, with reason, "Why do they start with me? Why don't they start where conditions are really bad? They might really do the workers some good if they tackled the X company. The workers in this town don't need organization nearly so much as they do in Blankville."

The survival of any union depends ultimately on its service to workers. Notable exceptions notwithstanding, an organization depending on membership solidarity

cannot long survive as a powerful going concern unless that service is acceptable to its members. And critics should remember that membership judges service by its consistency with *their* need as *they* see it, whether their view is spontaneous or colored by the arguments of their leaders. Organization, however, while based primarily on providing service, must take account of strategic possibilities. Suppose an international union is deciding what plants to organize. The officers might as a matter of policy pick out the worst "sweatshops" in the industry and pour their efforts into organizing them. Probably, however, they would choose to organize the plant which promised greatest possibilities for strengthening the International's over-all position. Any particular employer or group of workers may find themselves the focus of an organizing campaign for one or more of several reasons.

When the organizer appears at the X plant, its wage level may be high or low, its hours long or short, its working conditions good or bad. Why did he come? Probably because the organization of the X plant has strategic value for the International. That plant may dominate the labor policy of the area or the industry. It may be the largest producer or a strategically placed producer. It may symbolize to workers all that is best or all that is worst in the industry, and therefore a victory would have great psychological effect on organization elsewhere. Organization of this plant may be part of a drive on a common employer, on a section of the industry, or on a geographic area. X plant may be just the one remaining plant needed to complete the organization of a particular group of plants. The union may have decided to take advantage of an easy organizing situation. The employer may be exceptionally vulnerable because of recently lowered standards of work and earnings. Crisis in the plant coupled with evidences of worker solidarity and even perhaps an invitation to send an organizer may promise substantial membership gains with a minimum of effort. Public sentiment may favor the union or the workers in this plant. Or again the organizer's first aim may be to forestall or defeat a rival union. Any number of such considerations may play upon the decision of the Local Trades or Industrial Council, a federation of unions, or the left-wing movements, as well as upon the decision of the International Union. Lacking knowledge of these strategic considerations, any specific employer or group of workers not particularly sympathetic to unions is likely to query the organizer's presence with the somewhat bewildered question, "Why did they have to pick on us?"

Before the passage of the National Labor Relations Act, an employer occasionally took the initiative in encouraging organization; not very often perhaps, but the phenomenon was not unknown. Conceivably he was genuinely interested in the welfare of his workers and convinced that it would be advanced by organization. When a number of examples of such initiative are examined, however, other objectives are sometimes found. The union might be the best source of labor supply. He might desire the advantages of the union label or other union services. He might consider that a union was good strike insurance. He might think it

wise to join with and strengthen the union in order to prevent competitors from lowering prices through lowering labor costs. He might sense that such a move would win customer good will.

Just as a manufacturer or distributor of automobiles will plan his selling campaign to yield him greatest numbers of consumers willing to exchange money for cars, so the union organizers will plan their selling campaign to yield them greatest numbers of members who are willing to exchange dues for union benefits, to change individual bargaining strength to collective bargaining power. Whatever the strategy of the campaign, however effective the sales appeal, those who distribute cars and those who distribute union memberships are never allowed to forget one thing. They continue to capture the free market only so long as their cars or union services continue to meet the reasonable expectancies of the customers or members. Lacking such appeal their only alternative is to risk social disapproval by employing some form of compulsion.

The selections which follow disclose some of the problems faced by the promoters of unions and the way they meet those problems. They are designed to reveal the problem as it appears from the inside and the considerations which govern union organizers in their choice of tactics.

ROBERT R. R. BROOKS¹

Organizing a Union

Robert R. R. Brooks is an American labor economist, now professor at Williams College. During World War II he held several government positions involving a liaison between organized labor and government agencies.

A union organizer has been assigned by his national office to the task of forming a local union in a section of the country to which organized labor has never penetrated. The shop upon which the union has designs pays lower wages and runs for longer hours than those in the organized area of the industry. This

threatens the standards which the union is trying to maintain. Some of the employers whose shops have been unionized have been protesting to the national officers that if the union does not push up the wages and shorten the hours in the unorganized shops, the union shops will be driven out of business. This pressure in addition to the national officers' desire to extend their membership leads to the decision to assign an organizer to "that sweat-shop down in Tomkinstown."

The organizer, whom we shall call John O'Mara, arrives in Tomkinstown by train and puts up at a modest hotel. The seven dollars a day plus a restricted expense account which the union allows him does not permit lavish expenditures. He has a wife and two children whose demands are increasing as school age comes on and he always hopes that he can save a little out of his expense account to add to his weekly salary. Each week, however, he finds his

¹ Robert R. R. Brooks, *When Labor Organizes*, Yale University Press, 1937, New Haven, pp. 1-7, 9-13.

expenses cutting in a little on his salary and although his wife doesn't say anything, O'Mara feels it necessary to explain to her that he met a couple of old-timers who were dead beat and he just couldn't turn them down. O'Mara has a brogue as broad as his smile, is physically robust, has a high-school education and is intelligent. He is not too good-looking to be considered dangerous by the men among their women; consequently both men and women like him.

Having hung up his extra suit on the only coat hanger in the hotel room closet, O'Mara washes the soot from his hands and face and goes out for a walk. As far as he knows there is no trace of the labor movement in Tomkinstown and he has no acquaintances there. He decides that he needs a shoe shine and while this is in progress he engages the bootblack in conversation. He is in luck. The bootblack turns out to be the town's leading liberal. A reference to an article in *The New Republic* hazarded by O'Mara as a feeler brings an easy reply from the bootblack and O'Mara knows that he is on safe ground. Guarded inquiries disclose the fact that there are a "coupla old union men" at the post office, a retired professor who is regarded by some as a "radical," and a few men at the shop who are "pretty griped" by the conditions there. O'Mara pays for his shine and goes to call on the people the bootblack has told him about. They give him a line on conditions in the town and the shop and, after following two or three leads, he secures a list of workers who might be interested.

O'Mara covers his list of prospects in two evenings of door-to-door calls. Most of them are suspicious. Some understand what O'Mara is driving at but are afraid to do anything about it and tell him not to come to their houses again until after dark. Others are apathetic about the whole situation. Others have no idea of what a

union is about and "can't see how it's going to do us any good." Some of them say that they don't want anything to do with "outside agitators." A few workers, however, turn out to be good prospects. O'Mara concentrates on them. He tells the whole story of the union and of comparative conditions in the industry. He gives them enough information and special "selling points" so that they can go out on the door-to-door and man-to-man calls and do the talking while O'Mara remains in the background. The squad of half-a-dozen leading spirits begins to produce results. Some workers fall for the personal attack on the "boss." Others see that if wages are not pushed up in Tomkinstown they will soon be cut elsewhere and that the employer will offer that as a reason for a further reduction in Tomkinstown. Some are impressed by the fact that "we oughta stick together in this." Two are interested because they hear that "there's something going on here, and we wanta be in on it." Finally this group is called together in the home of one member. A little ceremony and a good deal of secrecy are observed. The organizer explains the condition of the industry, how this locality compares with others, what the union stands for, what the union is prepared to do, what the union has been able to accomplish in the past, what the limitations and dangers of union activity are and what the plan of action is. The members of the group agree to go to work on others. The organizer stays away from the shop in order not to attract attention to himself or to anyone seen speaking to him. He is able to take the week end off "to run down and see the wife and kids."

When he gets back he finds that good work has been done at a beer party put on by the temporary chairman of the group. On Monday night he goes up on the hill to visit the professor. They have

three Scotch and sodas and fall to speculating over "the coming revolution." . . . The professor lets O'Mara out the side door into the quiet night and O'Mara grins to himself on the way back to the hotel. "I wonder what the boys down at the shop would say if I tried to sign them up for the coming revolution. They'd probably sign me up for a ride on a rail."

Eventually a solid nucleus of 40 per cent of the workers is secured. O'Mara's smile and his care in protecting the active union workers from observation have overcome their fear. The attitude that O'Mara is an "outside agitator" and that unionists are "just a buncha reds" has been changed to the opinion that "they're pretty good guys, after all." Apathy toward things as they are has been altered by descriptions of things as they might be, or things as they are somewhere else. O'Mara now expands his activities. Enough of the secrecy is dropped so that other workers hear that "some of the guys are gettin' together." A charter is received from the national office and an initiation is held with a district officer present. The district officer gives the initiation oath and delivers a stock address on "Labor and the Nation."

The appeal of the union workers now changes from persuasion to shame and perhaps to fear. The distinctions here are subtle. One worker says to another, "All of my crowd have gone in, you better come along." The next time it is, "You wouldn't scab on us, would ya?" O'Mara's smile has developed a peculiar habit of ending in a sudden underthrust of the jaw and a narrowing of the eyes. Twenty per cent more of the workers come in. Another meeting is held and a bunch of the weak sisters are invited. The organizer makes a speech which flatters, shames and frightens them. Ten per cent more sign up. "Some of the boys are beginning to

wonder a little about you. 'Course I know you're all right, but if I was in your show and wasn't looking for trouble I'd come along with the rest of the gang." Another 5 per cent signs up. Three workers' Ford develop a mysterious series of flat tire. O'Mara hears about it and says, "Take it easy on that stuff, boys," with a faintly perceptible wink, "but if you can't be good, be careful." The piston rings in another Ford suddenly wear thin and it is reported that emery dust was found in the crank case. "Who's the dirty bum that done that?" says one worker to another with a broad grin. The union now has 80 per cent of the men in the shop.

The employer is suspicious and worried but he receives a large order from a firm whose custom he cannot afford to lose. O'Mara calls a meeting of the union. The situation is discussed and O'Mara says he thinks "things are about ripe for a tumble." The meeting puts it up to O'Mara to call on the employer and present the demand. O'Mara phones the employer and asks for an appointment. The employer is glad to get the thing out in the open. O'Mara is recognized as bargaining agent for the men in the shop. A trade agreement is concluded embodying higher minimum wages, differentials above the minimum according to skill, a forty-eight hour week and seniority in layoffs. The union accepts it. Both sides sign. To celebrate the event there is a dinner at Joe's Tavern with some beer on the side. O'Mara makes a speech telling them that now is the time to get their organization going in good shape so that when the employer's big order has been filled they'll be able to prevent any funny business. "You boys have gotta stick together now and make this organization into a big thing. Regular meetings, two or three socials a year, learn some parliamentary law and get a permanent headquarters. You'll need some letterheads too. The national office will fur-

nish them cheap. You're in good hands here. Your new president, Joe Bagliotti, is a good man. I've been watching him and he's coming along fine. And as for your Executive Secretary, Tom O'Flaherty, well, he's a mick like myself and you couldn't do better. If you get in trouble or need any help, let the district office know and they'll do the best they can to take care of you." While the boys are singing "For He's a Jolly Good Fellow," O'Mara is handed a telegram from the home office telling him to hurry on to a "hot situation" in Jonesboro.

UNION ORGANIZER A SALESMAN

O'Mara often points out to interested outsiders that the basic principle of union organizing is that of selling the idea of group action. The methods used by union organizers vary as much as those used by other sellers of goods and services. Ideas as well as goods may be sold on a wholesale, retail or door-to-door basis. The type of sales talk, the methods of advertising and the nature of the goods itself depend upon the kind of market in which the salesman is operating.

In the labor movement the salesman is the union organizer. He is usually employed and controlled by the national union. Occasionally local unions and central labor councils put organizers in the local field. The State Federations and the Executive Council of the AFL also have their organizers who are assigned to sections which especially need assistance. The Committee for Industrial Organization has put into the field an unprecedentedly large force of organizers who are not closely attached to any particular union. In normal periods, however, it is the organizers employed by the national union who form the most important single group. They are usually assigned by the national officers to sections of the country, social groups or branches of the industry

to which they are best fitted. French-Canadian organizers are likely to be assigned to New Hampshire, native Southerners to Alabama, women organizers to the girl silk workers of Pennsylvania or the clothing workers of New York. All sorts of motives bring an organizer to his work. Getting a job, excitement, variety and altruism all play a part. There is probably a larger proportion of "the old missionary spirit" among the motives of the sellers of unionism than among the sellers of electric refrigerators and vacuum cleaners. At least it forms a larger proportion of the organizer's sales talk. . . .

When O'Mara arrives at Jonesboro he finds that it is another door-to-door job, but much harder. The local minister is interested because industrial homework and child labor are involved. The opening of the average door, however, is hardly wide enough to get his foot into. The minister tells his congregation that collective bargaining and Christianity have elements in common, but Mr. Graves and Mr. Squire who put the fresh five-dollar bills in the collection plate every week don't seem convinced. The Ladies Guild puts on a tea for O'Mara who gives a talk on "Labor Literature." He also produces a sheaf of pay envelopes showing wages of \$4.16 for a seventy-two-hour week. One of the Guild members is the wife of the editor of the local paper. She makes a little joke to the effect that there isn't much difference between their Ladies Guild and Mr. Heywood Broun's Newspaper Guild, "which is a real union!" She tries to get her husband to run a "piece" in the paper about labor's constitutional rights. Her husband tells her that woman's place is in the home. Things are not going very well. Only about a dozen workers are interested. They are all suspicious of O'Mara, and he is suspicious of one of them. Soon his suspicions are verified. The local patriots are organizing to pro-

fect Jonesboro from outside agitators. O'Mara hurriedly casts up the balance of risks against gains and starts for the railroad station. There is a group of suspicious-looking loiterers on the platform. A few feathers are available and the local contractor has supplied some nice warm tar. After a long and anxious five minutes the train finally moves off. Jonesboro is saved from the Communist menace and O'Mara has an uneasy feeling that he has run out on the job. Irritated, he snaps to his wife when he pulls in late Saturday night, "This is a hell of a job. Why didn't I pick out a nice soft racket like selling Fuller brushes?"

On Monday morning O'Mara goes down to the district office and finds that things are really stirring. The Executive Council has decided to put ten thousand dollars into organizing the Jonesboro territory. They are sending the sound truck, several bales of literature, three extra organizers and a vice-president. The vice-president and auxiliary equipment arrive. The territory is mapped out. A thorough study of the "economics" of the area has been made. The map is dotted with red, blue, yellow and black flags showing shops with various wages, hours and conditions. Publicity stories are written describing the working conditions from a "human interest" point of view. There is the case of Anna Quinn who worked twenty-one hours for seventy-three cents. Her little brother has tuberculosis. Then there is Sophie, a skilled worker, who paid her boss a dollar a week to "learn" the trade and was fired at the end of the month.

The newspapers are not interested in these stories although the reporters from the Newspaper Guild do the best they can. The "strategy board" decides to sink a thousand dollars in dignified advertising. The union's stories begin to appear on page two. On Sunday Anna's picture is in the brown section. The sound truck

goes into action at several shop gates during the noon hours. The gospel is set forth with restraint and dignity. The workers can't help hearing it and there is no risk involved in listening. Three society matrons are photographed talking to the union's vice-president. There are protests from the ranks, but the publicity man says, "What's the difference whether they are endorsing Lucky Strikes or the right to collective bargaining as long as it makes the newspapers?" Leaflets printed in large round type on smooth paper are distributed at shop gates as the workers come out. This is slower than the sound truck but the organizers have a chance for a word or two with the men and can get an idea of what they are thinking.

The Central Labor Union of one of the towns in the area has at last swung into action. The officers of the CLU are politicians in a small way and are pals of the United States Congressman from the district. It happens that he is at home repairing his political fences. Contact is established. A big meeting is arranged with the Congressman, two union officers and an associate professor from a near-by denominational college as speakers. The Congressman opens the meeting and makes a full-bodied speech in which he says that the Republican party has always stood for free speech, freedom of assembly ("just as we are doing now"), and the right of the workers to bargain collectively. A union officer tactfully closes him off at the end of his third peroration and just before he begins on the tariff question. The other speakers are more specific and the vice-president finally gets down to the actual situation. Literature is distributed along with application cards. It is announced that a headquarters will be opened for recruiting, but that any workers who want to apply by mail may do so. A handsome woman organizer, borrowed for the occasion from another

union, sings a few songs and smiles at the boys. The meeting is adjourned with the singing of "America the Beautiful."

Membership applications and initiation fees pour in. Charters are issued. The organizers preside at the opening meetings of the locals. Officers are elected and the position of sergeant-at-arms is carefully bestowed upon the town comic. Cracks are made about "the small-town lad who made good." The rudiments of parliamentary procedure are instilled. Local bylaws and a constitution are drawn up. A program of meetings is decided upon. There is the usual trouble in getting the people with ideas to do the talking and to keep the people without any ideas from talking all the time. Eventually a common program for the whole area is ratified by all the locals. Demands are served upon all employers at once and the organizing stage of unionism passes either into the business or strike period of its life. This might be described as the retail or chain-store type of organizing.

THE WHOLESALE METHOD

The wholesale method may cover a wider field and involve even more elaborate techniques. O'Mara did such a good job on this last case that he has been appointed general organizer for the union and is assigned the task of taking on a whole industrial area. He packs up his belongings in two suitcases and piles them into the second-hand Buick which the union has assigned to him along with an enlarged expense account. His wife, who is always worried and who recently has been reading the LaFollette Committee reports, says, "Be careful, won't you, John?" as she kisses him good-by. On reaching the central city in the industrial area, O'Mara sets up headquarters in a good hotel and has a direct telephone connection put through to his room. The

telephone establishes contact with all the important local and central labor union officers in the vicinity. A conference is called and general plans are laid. The conference is subdivided into committees on publicity, finances, legal affairs, physical equipment, personnel, fraternal contacts, interunion cooperation, political contacts and others of this order. These committees are drawn together at the top by the Board of Strategy. Stenographers and business equipment are installed at the headquarters. Regional and local offices are set up. Trained public relations counsels and newspapermen establish contact with local and metropolitan newspapers. Funds are raised by nation-wide appeals. A staff of trained organizers is built up. These in turn assemble groups of voluntary organizers who are able to establish direct relations with workers in the industry who carry on the man-to-man and door-to-door work that O'Mara usually had to do himself in his earlier days. The cooperation of fraternal groups and other unions is solicited and plans are made for the special fields of their activity. Statisticians and economists are retained partly for their names and partly to give the Board complete information about every phase of the industry: its financial structure and history, its profits record, the nature of foreign competition, disparities in wage rates and hours, differentials between minimum rates and those above, seasonality of operation, the chief markets and interlocking financial connections. Efforts are made to secure a senatorial investigation of the financial or employment conditions in the industry. The Secretary of Labor and other important Government officials are invited to address mass meetings. These occasions are used as sounding boards for union publicity. If there are company unions in the industry they may be induced to come

over bag and baggage to the union cause. "Progressive" employers are asked to explain publicly why they have always dealt with the union in their industries and what they think the union has to offer to business. When locals have finally been set up and the workers have had some experience in operating as a group, demands are made and the situation, as before, moves forward into the strike or business stage of unionism.

INTERNATIONAL LADIES' GARMENT WORKERS' UNION¹

Advice to Organizers

One of the first things you will want to do as a union organizer is to get the lay of the land as regards your own industry—number of shops, ownership, financial stability, size, equipment, output, markets (whether local or outside), number of workers employed (at the peak of the season, in slow times and at that particular time), labor turnover, labor attitudes, etc.

About the workers themselves you will want to find out all you can as to age, sex, nationality, social institutions (churches, fraternal and political organizations, etc.), average length of employment, skill, labor attitudes.

Information about the town itself will prove useful—size, distribution of population as regards nationalities, etc., chief industries and their condition as to output and employment, churches (denominations, membership, wealth and social attitudes), schools, civic organizations such

as women's clubs, newspapers (circulation, ownership, labor attitudes, etc.).

Where do you get all this information? Union headquarters will have given you all the material it had. (Sometimes the union sends investigators to make a preliminary survey before putting organizers in the field.) If there is a central labor body or other unions in the town, they will be able to help you. Applying for work at the shops themselves will give you an opportunity to look them over. Enterprising chambers of commerce frequently issue free booklets setting forth information about the city and its industries. Similar information in less flowery but more accurate form may be obtained from Ayer's *Directory of Newspapers and Periodicals* or the Audit Bureau of Circulations' (ABC) *Market Guide* which you may be able to consult at the local newspaper office or public library. Trade papers such as *Women's Wear* contain news about shops, style trends, markets, etc., in the garment trade. Adroit questioning of people with whom you come in contact, from taxi drivers to ministers, will give you a cross section of opinion, providing you know the art of asking questions—and of listening.

COMMUNITY CONTACTS

If there are other unions in the town, your first point of contact may well be with them, either individually or through the central labor body. In addition to information about the city and its industries, the unions may be able to put you in touch with members of trade unionists' families or others who work in the plants you want to organize.

Established unions can be a very real help in your campaign, and even if they are not particularly active or friendly, you will only aggravate matters by disregarding their existence. From this and other sources you can also discover whether

¹ *Handbook of Trade Union Methods*, Educational Department. Published by permission of International Ladies' Garment Workers' Union, New York, 1937, pp. 7-13.

there are persons in public life (teachers, ministers, lawyers, doctors, philanthropists, social workers, etc.) who might be sympathetic or at any rate open minded about the sort of thing you are trying to do.

Public opinion is a considerable factor, and the cooperation or approval of someone who stands high in the community is very helpful. Sometimes it is possible to arrange for an informal meeting at someone's home at which you can tell a group, first of all, what you have found about conditions in the industry in their own town (and they may be able to give you pointers, too!) and then what a union could do to remedy the situation. When your campaign has progressed far enough, you may want a formal committee of such people to issue statements, speak at meetings, etc. Some of them, for personal reasons, may not want to be openly identified with your campaign and yet be very helpful in making contacts for you and offering suggestions about the local situation. Others may be sufficiently realistic to say, "I'm regarded as a radical here and my name will do you more harm than good. Let me help behind the scenes."

People outside the labor movement can often be of great assistance, not only by their public utterances and by bringing pressure to bear on the authorities, but in convincing others in their own circle that workers need organization. Since we usually think of "the public" in terms of the articulate sections of it, public opinion as expressed by such a group may serve to offset in some measure the opinion created by the Big Business group.

One word of caution—remember that such people have their own position to consider; that they may view what you are doing from a standpoint of general altruism and humanity rather than from any settled philosophy with regard to labor. Do not "put them on the spot," there-

fore, or express impatience with what you may regard as their limitations.

CONTACTS WITH WORKERS

Contact with workers in the plants you expect to organize may be established in various ways—striking up acquaintance with them in the places where they eat lunch, or going to and from work; meeting them at social gatherings; applying for work in the shop yourself. In the preliminary stages, contact with a few—even one or two—of the more up-and-coming workers in each shop or department is enough to give you a foothold.

If the workers are ignorant or prejudiced about unionism, you will of course proceed very slowly, commenting on their low wages no more specifically than, "In such-and-such a place, the [workers] make as much as—but of course they have a union there." Find out what their specific grievances are—overtime, irregular work, speedup, cranky [supervisors], favoritism, lack of toilets, ventilation, etc., and tell how other workers have remedied similar conditions through the union. It is usually more effective to talk of specific instances of abuse and improvement rather than in generalities about unionism. If overtime, discharges, etc., have aroused the workers as a whole to indignation, your approach, naturally, can be much more direct.

When they begin to ask, "Why couldn't we have a union here?" you can feel that you are getting somewhere.

SPREADING THE CAMPAIGN

When it comes to enlisting large numbers of workers, several methods may be used, alone or in combination. Calling on workers in their homes is a time-taking but often necessary approach, particularly in the smaller communities. The workers whom you have already converted can help in this and can also furnish you with names and addresses.

In one situation where the employers' known opposition to unionism made it necessary to avoid openly identifying any of the workers with the union, a resourceful organizer planned a raffle; the names and addresses entered on the stubs of the raffle tickets comprised a good working list for the house-to-house canvass. In other places, offers of free cosmetics and of cooking recipes have produced names and addresses without laying the workers open to the employers' suspicion.

Letters and leaflets based on conditions that the workers know in their own shops are effective, either as a preliminary or a followup to visits, but will not do the job alone. Leaflets summarizing what present conditions are compared to what union standards require will give the worker and the members of his family something tangible to think (and argue) about after the organizer has left. The psychology of printed material at this stage of the campaign should be persuasive and informative rather than commanding. When you do not want the employer to know that organization is planned, printed matter of any sort is probably inadvisable.

Whatever your method—and the problem is never quite the same in any two places—keep in mind your main objective: to win over the workers to the idea of trade unionism and to enroll as many of them as possible so that when the time comes to present concrete terms to the employer as a basis of discussion, you can speak in the name of his own workers, not as an "outsider." . . .

Leaflets may be distributed to the workers as they leave the shop because the mere acceptance of a hand-out is no indication of sympathy. In industries where mills and factories employing large numbers of workers are surrounded by fences, speeches at the factory gate, either with or without a loud speaker, constitute an effective or-

ganizing device because the individual workers cannot be held responsible for listening to what no one can help hearing, but in the garment industry, the shops are usually too small to warrant this.

In certain centers the union has broadcast daily over a local radio station, with appeals addressed in part to the workers and in part to public opinion. Since anyone who will may listen in on the radio, discretion is of course necessary.

What are the chief objections to unionism most frequently voiced by workers? One ILGWU organizer lists these out of his experience:

1. *Fear of losing job.* Meeting this attitude, we point out that with a union there is less danger of losing one's job, because workers cannot be discharged except for good reason. Also that where workers are discharged for union activity, the union will endeavor to place them in union shops, and that the machinery of the National Labor Relations Board is available to fight cases of victimization. The workers must realize, moreover, that without the union, sweatshop conditions may make their jobs worthless. Some will respond to the idea that as free human beings they ought to insist on their right to organize regardless of consequences.

2. *Opposition to unions.* This comes either from opposition to payment of dues or because of unfortunate experiences with unions. On the question of dues, we point out that dues are of secondary importance to the union in comparison with regulation of the industry and improvement of conditions. Dues are not collected till the shop is organized and dealing with the union. Further, we point out that the dues are small by comparison with increased earnings under unionism, and explain exactly what is done with the money collected.

Unfortunate experiences with unions

either by the prospects or their acquaintances must be dealt with according to the situation. If we know the details, we explain how the unfortunate case came about. Sometimes it is necessary to point out that the ILGWU doesn't do things like that, we are a different sort of union.

3. *The boss is good.* Generally speaking, it is more difficult to organize people in a long established factory where the employer has built up loyalties than in a factory newly established. It is necessary to point out, sometimes very tactfully, that the boss is not really so good; that even though their particular boss is less rapacious than some, he can be so because the union has established certain conditions nationally and that his workers have benefited without belonging; further, the union can help the boss to establish better conditions by fighting employers worse than he is.

What should be the attitude of the organizer toward the workers? The same organizer quoted above sums it up this way: "He must be genuinely sympathetic. A contemptuous attitude because some of the workers seem undeveloped is ruinous. It must be borne in mind that many of them will develop their personalities under union leadership. Those workers who are most vocal in their opposition to unionism may be the very ones who will turn into good leaders once they are won over to the idea. It is important not to promise too much. Modest promises are often much more impressive than statements that our union is ready to spend great sums of money and that the immediate result of unionization will be to fatten the pay envelope. It is better to say that unionization is just a beginning and that only by making the union a permanent part of their working life will the lot of the workers improve."

J. B. S. HARDMAN¹

The Strategy of Organization

THE FACTS IN THE CASE

N City is an important center in the mattress-producing industry. It is the seventh market in volume of production. And it is even more important as the key center of distribution since it is situated at the gateway of the western mattress markets. N City is an open-shop center. But there are quite a number of well-organized trades in the city, and a rather imposing Central Trades and Labor Union Assembly.

The national union of the mattress workers is an independent organization not affiliated with the AFL. It enjoys good standing with the old-line unions. The national organization is bent on lining up the factories in N City. The open shops in that city threaten the union's grip in other cities. The national organization is ready to use a good deal of its resources and organized power to bring the N City mattress market into line. . . .

THE ORTHODOX METHOD

The union directs a number of organizers to N City. They open headquarters in the factory district. They concentrate first on a number of the smaller shops. They meet the people who work in the shops. They talk to the people individually. They call meetings. They try to convince the people that in union there is strength and that through the union, if they organize one, they will be in a position to increase their earnings and to make their hold on their jobs secure. The

¹ From *American Labor Dynamics*, edited by J. B. S. Hardman, copyright, 1928, by Harcourt, Brace and Company, Inc., pp. 114-20.

organizers talk. The people listen. The union pays the organizers' expenses.

The employers become aware of the agitation in and around the shops. The organizers approach some of the employers and suggest a union agreement before a strike is called. Several employers are anxious to avoid trouble. They consider negotiations with the union. In other cases, the employers make concessions directly to the workers, thus checking the union's advance. The workers have no choice but to accept the offer and stay out of the union. The union may be obliged to step back, for a time at least. Or the union may call a strike and either fail or succeed.

THE "SOPHISTICATED" METHOD

The union makes a study of the industrial, commercial, and financial aspects of the mattress-making industry in N City. It prepares a chart indicating the relation of every one of the local employers to the local banks, to local politics, and to the other business and social institutions of the city. The union ascertains the number of individuals in the city—employers, business men, social workers—who might prove useful in case an active campaign developed.

The union finds a way of bringing one of its important leaders before the public opinion of the community. The president or another nationally known officer of the union manages to be invited to address a gathering of one of the local civic organizations, to deliver a lecture in the local progressive church, or to participate in a round-table discussion, no matter what the subject or question. Care is taken to have the union officer's address secure advance and follow-up publicity. In the course of that publicity the union is careful to make it known to the N City people that the head officer of the Mattress Producers' Consolidated Association is not on the Moscow pay roll, that he is not out to

raise the blue Zionist flag over the Capitol in Washington, that he stands for a square deal for everybody if the workers are assured of a square deal for themselves. The advance and follow-up publicity of the union does not fail to remind the people of N City that the union stands for education, for research, for arbitration, and for good will in industry, and that its officers are gentlemen.

As these preliminary activities are carried on, a number of union organizers enter the city and make contacts with the people in the factories. Activities are carried on quietly, and no publicity is given to what the union may think of doing later on. Several good mechanics are brought into the city by the union, and they try to secure employment in some of the local factories. By word of mouth and through the distribution of union literature, the people working in the N City mattress-making shops are told all about conditions prevailing in the other unionized markets. The union literature, as well as the union organizers, talk in positive terms only. They don't attack the local employers, nor do they paint an overly dark picture of local conditions. They do not praise employers elsewhere. They confine themselves to discussing the fact that in other cities, because of the existence of the union, working conditions are more healthful, people are making a better living, are enjoying a greater measure of liberty while at work, and are secure in their jobs. No foremen "sit" on them. All of which constitutes an American standard of living. No one must be allowed to forget that the Consolidated is a 100% American trade union.

The Consolidated takes care that the news is imparted to buyers in other cities that something is going to happen in N City. Trade journals are in doubt whether N City manufacturers will be in a position to fill orders, since there may

be a strike or some sort of disturbance in N City, likely to interfere with production and perhaps to affect costs. Out-of-town manufacturers, for quite obvious reasons, give credence and circulation to these rumors. This is a part of the competition game. Manufacturers may be class-conscious, but in any case they are business-conscious.

There is widespread commotion and a general sense of insecurity by the time the union is ready to call a mass meeting of the employees of a number of shops. Workmen as well as manufacturers are gravely aware of the movement, but nobody knows exactly the size of it or the next turn it may take, and that makes for even greater uneasiness. The Central Trades and Labor Union Assembly of N City adopts a resolution condemning sweat-shop conditions, black-list practices, suppression of individual rights, and other misdoings prevailing in the mattress-making factories. The Assembly goes on record indorsing the efforts of the workers in the mattress-making industry to abolish the inhuman, unbearable, and, above all, un-American working conditions in that industry. At this point, shop meetings are called. The people in the factories are aroused. The atmosphere is full of fight. Storm is in the air. . . .

By this time the whole city is talking about the Consolidated and the campaign of unionization it is carrying on. Local opinion is divided as to the attitude employers should take toward the workers. Half-page statements by the Consolidated appear as display advertisements in the local papers. The reticent attitude of the city editors toward the news of the movement has been successfully overcome. A good deal of discussion of the matter has by now found its way into the press. The campaign of the Consolidated is news. It is breaking in on the front pages. The editorials of the press warn the people of

N City that while the Consolidated may pretend to a 100% Americanism and that while unionism must not be objected to by generous-spirited citizens, N City and its prosperity must not be allowed to become a playground for the union game.

The workers are called out on strike. Most of them respond. In isolated cases, the key men remain at work. Of those who answer the call, several show shakiness. The union organizers are ready with relief money.

The police are called in to insure order. Courts are appealed to for injunctions. The churches take a stand for tolerance. Social civic bodies call special meetings to hear statements by both sides. The papers denounce the leaders of the union but print pictures of pretty girls, also of some very old men, active on the picket lines. The Consolidated supplies news; that can not be denied. The Central Trades and Labor Union Assembly demands a thorough investigation of conditions in the mattress-making factories. The Women's Consumers' League directs its officers to call on the Mayor; they are received by his Honor's secretary, who looks rather serious but at moments smiles pleasantly on the ladies. N City is greatly agitated. The strike is in full swing. "Injunctions don't make mattresses," is the cry from the one side. "But police clubs break necks," comes the retort from across the line.

Mr. X talks in the First Presbyterian Church on "The Egyptianization of Free America." At the Business Men's Club the strike is roundly denounced. A resolution is adopted to investigate violent misdoings by the union. The president of the union insists that collective bargaining is the only workable basis for a modern industrial relationship, and that the union has felt most keenly about being forced to stop production in this fairest of all cities. However, the president of the Mattress

Producing Consolidated Association really thinks that the union is fighting for peace and responsibility in industry by the only means at its disposal, which is the means provided by the American Constitution.

Good citizens are busy offering their good offices to the people for the consummation of an industrial truce, and their pictures to the press. The union welcomes every constructive suggestion that may lead to a resumption of normal relations in industry, meaning relations based on the recognition of the union.

The employers hold conferences to decide whether it would be wise to keep up the fight or to make terms with the union. The die-hards suggest that the headaches caused by the strike would seem like a peaceful Sunday picnic, when compared with the chronic headaches that would result from a contractual relationship with the union. There are moderates in the camp, too, especially among those with the weaker bank accounts.

The employers do not know. Some individual employers come out for peace. The bankers watch some of the employers. The union watches both.

PROBABLE RESULTS OF THE TWO METHODS

(a) The mattress manufacturers decide to increase the wages of their employees and consent to several other less significant changes in shop conditions. They are not, however, ready to recognize the union. The strike goes on until the ranks of the employers are split, some of them signing up with the union, others stubbornly continuing in their opposition. Reinforced by partial victory, the union suspends the direct fight against the die-hards and vacates the scene for the time being, intending to come back at the first opportunity. Perhaps it is doing things on the quiet.

(b) Annoyed by the fact that they have become the "talk of the town," and pri-

marily because orders have begun to slip out of N City houses and because some of the banks have become very impatient about notes due and overdue, the employers decide that N City is under no obligation to save the world for the open shop. In consequence, the union is recognized. The recognition, however, is only partial. The principle of the open shop is solemnly proclaimed by both sides. A rather complicated system of representative courts and tribunals is set up for the adjudication of disputes. The strike is over. Each side claims victory, the union less vociferously than the employers. The industrial conflict is off the street pavements, ready to take its seat in armchairs. No more fighting, only negotiation. The old thing, industrial democracy, is given a tryout. The industrial conflict has not ceased. It has put a full-dress suit on. Will the employers curtail the union's power, or will they be harnessed by the union? That remains to be settled by continued though peaceful fighting around the conference table. The union no longer occupies the columns of the press. It has entered the factories. It is no longer news, judged by the standards of the daily press. It is now a part of history in the making.

The organizing drive under the orthodox method centers attention on the workers. The employers are expected to surrender or to hold out. They are not reckoned with as active and flexible participants in the encounter of living forces. It is a one-track campaign and a relatively simple one. The drive under the sophisticated method considers the employers and the whole of the community as elements in a game which may be played from several bases at the same time. It is based on strategy and not at all a simple kind at that. It is led by a union fully aware of the interplay of social forces. It requires organizers more sophisticated than those

of the usual type and depends on human material and an amount of information and intelligence which may not be easy to find. It holds out the greatest promise, though. It differs from the old organizing procedure as modern warfare differs from ancient war experience. It is carried on by a union aware of the power-relations of our time. Whether immediately successful or not, the sophisticated method tends to make deep inroads into the social body and when successful, obtains a place which it will not easily relinquish; that is, if it knows how to hold the territory it has won.

J. B. S. HARDMAN¹

Four Days That Shook Cincinnati

The unionization of the A. Nash "Golden Rule" Clothing Company, at the end of 1925, as told below, is not a hypothesis at all. The case which culminated in the unionization of the company's workers on the initiative of the head of the company, toward the end of 1925, attracted much attention. Until then, the three thousand workers of the Nash plants had been organized loosely, if without a title, into a company union. The company resorted to stock distribution among employees, bonuses, and similar devices to develop a workable labor-management relationship. The group was held together by an intensely cultivated religious fervor. The Golden Rule was the substitute for trade-union organization, and the labor union of the trade was rigidly kept out

of the plants. The Amalgamated Clothing Workers of America carried on an active campaign for a number of years, and a good many people probably were converted to the idea of organization. No visible headway was made, however, until the head of the company himself decided to invite the trade-union organization. The three following items should be emphasized:

First. The unusual growth of the company's sales of goods from \$60,000 in 1916 to over \$10,000,000 in 1924 was due to the low selling price of the company's clothing (\$24 a suit) during a period of highly inflated prices. With the deflation of the industry the company was no longer practically the sole seller of cheap clothing. Reputable firms with popular labels were offering well-advertised goods at equally low prices.

Second. The large sales of the company had been achieved without direct paid advertising. The head of the firm kept his enterprise in the public eye by extensive lecture activity which emphasized the Golden Rule as a new solution of the labor-capital issue. Since a good deal of this scheme of doing business depended on the good will of the buyers and public opinion in the communities where the sales were made, the company could ill afford to wage open warfare on trade unionism. Unless it could prove that the Golden Rule was superior to trade unionism, the scheme would fall through. And there was much doubt in the public mind as to the real social merits of the Golden Rule, as practised by the company. It was part of the union's organizing strategy to keep the public interested in the matter.

Third. As the business expanded, the number of workers employed grew steadily, and Mr. Nash had to absent himself almost continually to do all the talking and lecturing necessary for the promotion

¹ From *American Labor Dynamics*, edited by J. B. S. Hardman, copyright, 1928, by Harcourt, Brace and Company, Inc., pp. 149-54, 158.

of his business. It became necessary to find a new means of keeping the shop organization in a working trim. The union, Mr. Nash thought, would do the job for him. This, Mr. Nash stated some time later in a speech before the convention of the ACWA:

"I had a job that I could not do, and I just passed the buck to Mr. Hillman. I unionized them because I could not sleep nights, because I was afraid that things were not right in my industry with my brothers and sisters that were working there, and I did not know how to make them right, and I felt that Mr. Hillman and his organization could do it; and that is why I used him."

The following pages are taken from *The Advance*, the publication of the ACWA, and they tell the story of the unionization of the company's union as it was seen by the trade union, and is as correct a statement as may be had. . . .

THE DEBATE FROM THE FLOOR

The meeting of the Nash people was called to order Thursday morning at 9:30. The Shubert Theater, where the workers assembled, was full to capacity. A neat crowd, as much as I could make them out. Huge floral designs ornamented the stage. In the background sat Mr. Arthur Nash, who presided over the meeting, and two or three others, among them the Rev. Dr. Wareing. The gathering was opened with words of prayer. Mr. Hillman was the first speaker. He was listened to attentively, I thought, also with a great deal of interest. When he pleaded for democracy in industry even as all insist on having it rule politics, a live applause greeted the speaker. There were several approving interruptions.

After Mr. Hillman completed his address, Mr. Nash spoke to the audience:

"Fellow workers, you have heard the message this great leader has brought to us, and the time has come, to a very large degree, when you must take this into your own hands. If there are those of you who feel that you want to express yourself, we now give you the opportunity."

A vice president of the A. Nash Company, Mr. Clayton, mounted the platform. The gist of his statement is expressed in his concluding sentence:

"Are we to permit this great ship, built by the hands of willing workers, commanded by the spirit of the Golden Rule, manned by the crew of love, friendship, toleration, and cooperation, to be wrecked upon the rocks of discord, dissension, and tyranny? My answer is: No!"

The speaker was received enthusiastically. The abusive remarks he fired at Mr. Hillman and at the Amalgamated were cheered to the echo. True, approval came from one part of the theater. Anti-unionism seemed to have been centered in the orchestra, where the foremen were stationed at strategic points and a number of the executives of the company held seats. I later learned that somebody saw to it that most of the workers suspected of Amalgamated leanings were put in the balcony. I also learned that the day before, the straw foremen and minor executives who were opposed to the action taken by Mr. Nash, had a number of shops pass resolutions in which the workers obligated themselves to work against the union agreement. The argument used by the anti-union element was that the unionization of the factories would lead to reduction of wages.

The floor was thrown open to the workers in the gathering, and the exchange of questions by the workers and answers by Mr. A. Nash presented a sight decidedly novel in the labor movement, for the

queer distribution of the roles between the head of a business and the workingmen.

A workingman wanted to know, "Why go with the union, if business went well without the union, and everything was lovely?"

The employer argued:

"We have solved our problems so far as our relations with each other are concerned, but the question that I think we should face squarely today is what are we doing for the rest of humanity? Are we really in any great sense a part of the great labor movement, or have we set ourselves up separate and apart, built a wall around ourselves and said, 'Our problems are solved, our storehouses are full, let the rest of the world solve their own problems?' Nay, God forbid!"

A workingman suggested that if a union was wanted, why not go with the United Garment Workers who belong to the AFL? Let it be remarked in passing that from the Cincinnati Organized Labor headquarters came the magnificent suggestion that the firm stay away from *all* unions and be blessed by the Central Labor Council just the same, rather than go with the Amalgamated.

And Mr. Nash argued:

"The UGW may have some people in this city. But if we organize let us go with the union which has gained a hold on the workers of practically the entire clothing industry, which is the Amalgamated."

Then, from the floor came the objection that the Amalgamated was not always treading the path of righteousness. A worker was there who was hurt in an encounter with Amalgamated strikers. . . .

Mr. Nash was called on to explain:

"Suppose that is all true, what does He, our great teacher, say? 'Love your enemies: do good to them that despitefully use you.' So that after all, I do not see

any argument in all this; I don't see that it needs any answer on our part, but it is not true."

And when another indignant soul cried from the floor that the Amalgamated was a dual organization, and that before it could claim the right to lead the Nash workers it ought to put its own house in order, unite with the UGW, Mr. Nash pointed to the action taken by the Chicago Federation of Labor, which protested against the scabbing activities of the UGW in the fight of the Amalgamated against the International Tailoring Company of Chicago and New York.

Another protest came from the floor: the Amalgamated was radical.

Mr. Nash, in reply to this, quoted William Green, President of the AFL, a fine Christian gentleman (he emphasized), who in the convention of the International Ladies' Garment Workers' Union spoke of the radicals as the salt of the earth, who said that without the radicals the labor unions would be sterile, lifeless. . . .

A woman demanded for the workers time to make up their minds whether or not they should join the union, to which Mr. Nash correctly replied that the workers could best determine their course if they first joined and got acquainted with the union in the process of cooperation and experience. Without actually joining the union, how much more will they know ten days later than they know now?

Some one else demanded that the vote should be taken by a secret ballot, a procedure followed in making political decisions.

But Mr. Nash pointed to the civic pride one ought to take in voting openly, so much more so as there is no danger involved; the employees may decide either way.

Certain statements made by Mr. Nash later satisfied Mr. Clayton, and he an-

nounced, toward the end of the meeting, the withdrawal of his personal objections to the unionization of the shops.

The unionization of the Nash Company plants was made possible by the union's campaign of energetic though peaceful penetration, and above all because of the flexibility of the union's strategy. The union proceeded from the fact that there was a company union, and it tried to make the most of it, instead of making angry gestures at the infernal thing. The union placed the company in a position from which it could not escape gracefully, and graceful behavior was a needed element in the firm's course. It could not do a good and thriving business in any other manner. Instead of attempting a strike or any other form of open warfare which under the circumstances stood no chance, the union sought to make public opinion serve the union's purpose. It raised doubt in the public mind as to the reality of the Golden Rule as applied and realized in Cincinnati. It tried to checkmate the company on its own premises. Again, it left nothing undone to impress the firm with the power of the union. This was doubly necessary since there is a second competing union in the field. And so, when considerations of expediency obliged the firm to seek an agreement with the union, the leaders of the company logically thought of doing business with the union that had power, the Amalgamated, rather than with the one that had the official label of the AFL but no power. Mr. Nash admitted as much in the above-quoted story. . . .

To sum up, the union used the pressure of public opinion and of organized power, together with its intimate knowledge of the industry, to penetrate peacefully into the enemy's territory and turn it into a dependency of its own.

ROBERT R. R. BROOKS¹

Revolt of the Company Unions

Elmer Maloy worked at the Duquesne plant from 1911 to 1936 except for the one year that he was out during the war. His father was a member of the United Mine Workers and Elmer took part in the steel strike of 1919. When the employee representation plan was put in in 1933, Maloy had little faith in it and took no active part until the spring of 1935. Early in 1935 there was widespread agitation throughout the Carnegie plants for wage increases. Costs of living were rising and wages were not keeping pace. Requests from employee representatives for general wage increases were met with polite refusal by the representatives of management. In May, 1935, for example, the Edgar Thomson ERP asked for a ten per cent increase, and vacations with pay. In refusing these demands, plant executives often pointed out that such matters affected general company or Corporation policy and were beyond their control. . . .

Maloy and others developed three stratagems which were used at Duquesne and elsewhere to embarrass the company and strengthen the progressive forces in the ERP. The first was to press hard for the adjustment of pending grievances. If they were not settled at the first stage to the worker's satisfaction, they were immediately appealed through the higher stages. If the cases were eventually won, the prestige of the progressive representatives was increased. If the cases were lost the prestige of the ERP was decreased.

¹ Robert R. R. Brooks, *As Steel Goes, . . . Unionism in a Basic Industry*, Yale University Press, New Haven, 1940, pp. 84, 92-93, 93-94, 101-02.

The second stratagem was insistence upon the verbatim reporting of minutes of ERP council or committee meetings. In some plants the privilege of editing and summarizing the reports of ERP meetings had apparently been used by management to create an impression of greater contentment with the plan than actually existed. After the progressives secured the printing of verbatim minutes at company expense, they were able to use them as a platform from which to address the steel workers and the country at large. Maloy could, for example, make a motion in the Joint-Rules Committee in favor of the central committee idea. He would then make a speech supporting his motion and conclude it by predicting that the vote would be five employee ballots in favor of the motion and five management ballots against. When the vote was taken, it would come out five to five. Duly reported upon the plant bulletin boards, the minutes of the meeting made instructive reading. . . .

The third stratagem was to press for the enlargement and elaboration of the committee system within the ERP. Persuading management that the ERP would be improved and strengthened through the creation of more committees or increasing the membership of the existing committees had several results. The expense of the ERP to the company was increased. The patronage at the disposal of progressive council chairmen was expanded. Progressive representatives, placed upon committees, were set free to rove through the plant ostensibly "on ERP business," but actually lining up the workers in support of the progressive program at company expense. . . .

So the "politicians," especially Maloy and Paul Fasser of the sheet and tin division, went to work. The management believed that its candidate for the chairmanship of the employee group, Fred

Bohne, was almost as good as elected. Bohne and Maloy were the leading contenders, but there were also three other candidates who will be called A, B, and C. The "politicians' first step was to approach C, who controlled only four votes, and offer him the chairmanship of the "steel group" if he would give his votes to Maloy for the chairmanship of the entire employee group. This having been agreed upon, the results of the first ballot were: Bohne, 11; Maloy, 11; A, 8; and B, 4. It now being apparent that A had no further chance of election, he was persuaded to swing his eight votes behind Maloy. The results of the second ballot, therefore, were: Maloy, 19, and Bohne, 15.

The dramatic effects of this victory for the SWOC bloc are not difficult to imagine. The public, not being privileged to watch the ropes which shifted the scenes, was suddenly confronted with headlines which blared, "LEWIS FORCES WIN VICTORY IN COMPANY UNION." The company, which had been engaging in equally elaborate but less astute electioneering, was stunned. At a subsequent caucus of the company's supposed supporters, the director of industrial relations for Carnegie-Illinois is reported to have said, "My God, fellows, I am disappointed! That's terrible—a vote like that."

ROBERT R. R. BROOKS¹

Victory in Aliquippa

Joe Timko is a huge, quiet man with a massive jaw, an impassive face, and a twinkling eye. His manner suggests the

¹ Robert R. R. Brooks, *As Steel Goes, . . . Unionism in a Basic Industry*, Yale University Press, New Haven, 1940, pp. 110, 111-12, 115-16, 116-17, 118-20, 123-24, 125-27.

inner resources of a Maginot Line combined with the patience and tact of a diplomat. His friends and his enemies insist that he is a dual personality. A steel executive testifies: "He is a Dr. Jekyll and Mr. Hyde. While we were fighting him, we thought he was Mr. Hyde—one of the toughest organizers and hardest-fighting strike leaders we had ever come up against. But now that we have been dealing with him for two years, we've found him an able negotiator and responsible union business official." . . .

When the SWOC was being organized, one of Philip Murray's first acts was to send for Joe Timko. Joe received a telegram from Murray on June 10, 1936, telling him to be in Pittsburgh on June 16. He paid a quick visit to his family in Terre Haute whom he hadn't seen for nearly a year, and on the morning of June 16 he reported to Murray. After several conferences, he was assigned to the Beaver Valley as sub-regional director. Murray suggested that Timko get the background of the Beaver Valley from Clinton Golden, newly appointed Northeastern regional director.

On June 18, Timko spent most of the day in Golden's office. In response to Timko's brief and infrequent questions, Golden's replies might have been recorded substantially as follows:

"Well, Mr. Timko, I understand that you've just come from a year in Harlan County. The area that you've been assigned to is just as tough as Bloody Harlan. Around here, they call it Little Siberia and it has earned its reputation. The Beaver Valley is the name applied to the Ohio River Valley below Pittsburgh to the point about thirty miles downriver where the Ohio changes its course from northwest to southwest. It's all steel country, but the most important towns are Aliquippa, and Ambridge.

"Aliquippa is the home of the largest

of the two main plants of Jones and Laughlin. The other main plant is on the South Side of Pittsburgh. J. and L. dominates the labor policies of the valley and it has as bitter a history of anti-unionism as you can find. That's where you'll concentrate your campaign. If you can get J. and L., the others will come." . . .

Timko drove into Ambridge on the morning of June 19. He took a room at the Hotel Ambridge and went over to Aliquippa to look up the names that Golden had given him. He was gone about four hours. When he returned to the hotel he found that the rooms on both sides of his, previously unoccupied, now had tenants. He went down to the desk, copied off the names from the register, and called the SWOC offices in Pittsburgh. The office staff checked the names and found that they were those of J. and L. "operatives." Joe went immediately to the burgess of Ambridge and registered a protest. Within a few hours the rooms were vacated. Timko has a very forceful manner and the burgess was a Democrat.

That night Timko held his first organization meeting at the Democratic headquarters in Aliquippa. There were eighteen men in the audience, not counting the J. and L. spies listing names. Within two weeks fourteen of these eighteen had been fired. Nevertheless, Timko asked each one present to bring another for the next meeting. Forty-five men came to the second gathering and two hundred to the third.

On July 5, the anniversary of the Homestead strike of 1892, a memorial meeting was held in Homestead, addressed by Lieutenant-Governor Kennedy and attended by more than two thousand steel workers and miners. It was the first time that Homestead had been opened up to a labor meeting since 1919. Even Secretary Perkins, in 1934, had been compelled

to move a prospective meeting from a public park to the steps of the Post Office. Kennedy, speaking for Governor Earle, promised protection and relief in the event of a strike. Similar meetings took place all over the steel country. . . .

Timko broadened his activities in the Beaver Valley. Headquarters were set up at 141 Hopewell Avenue in Aliquippa, as well as in Ambridge. Paid and unpaid assistants began house-to-house canvasses among the steel workers' homes on both sides of the river. In line with SWOC policy, the collection of initiation fees and dues was given up during the first months of the campaign. Little effort was made to set up local lodges and all membership cards were immediately sent in to Pittsburgh headquarters in order to reduce the danger from company spies. Open meetings, addressed by Timko and others, were held in vacant lots. In Aliquippa, during the summer months, the maximum attendance at these meetings was about two hundred faithful followers. Two state police were sent in by the governor to protect them.

A small Beaver Valley paper, on its last legs, was induced to accept SWOC publicity material. Timko bought from two to five thousand copies of the paper in bulk and his aides distributed it throughout the valley. On August 1 the SWOC began publication of its own paper, *Steel Labor*, and thousands of copies were handed out at meetings, left on doorsteps or distributed at mill gates. The fourteen men discharged after the first meeting formed themselves into an Honor Roll for publicity purposes, and, during the summer, further discharges increased its membership to fifty-two. . . .

Union members were arrested by the dozen on charges of drunkenness and disorderly conduct. Their fines were checked off the company pay roll by special ar-

rangement between the company, the police, and the Squire. The rooms of union members were broken into by the police, their trunks were searched, union cards and literature confiscated and occupants taken to the police station. Company spies attended all union meetings and ostentatiously took down names and license numbers. One company policeman found that his own registration number had been reported by a zealous fellow official.

Timko replied by issuing leaflets saying, "I want to thank Jones and Laughlin Steel Corporation for aiding our campaign by using such tactics. We have nothing to hide. We have nothing to fear. We conduct our activities openly and aboveboard. We are pursuing this campaign along peaceful and legal lines. We deplore the fact that others do not do likewise."

Early in September the SWOC began an intensive campaign to identify itself with the New Deal and the re-election of President Roosevelt. On Labor Day a vast throng of nearly 200,000 people listened to addresses by Governor Earle, Senator Guffey, Philip Murray, and Pat Fagan of the United Mine Workers at South Side Park in Pittsburgh. In Aliquippa, hundreds of steel workers marched through the streets in the Labor Day parade. And in Ambridge, more hundreds of steel workers donned white trousers, shirts, and caps to parade under union banners and New Deal placards. Support to Roosevelt was universally urged while leaflets announced that the "election of Alf M. Landon," whose uncle, William Mossman, was publicity director and lobbyist for Jones and Laughlin, "would establish the steel barons in the President's office."

The time and energy of many organizers and staff members were diverted toward the political campaign. The union announced that a vote for the New Deal

was a vote for collective bargaining and the SWOC. Two weeks before the elections, the SWOC printed 500,000 copies of a leaflet reading in part: "STEEL WORKERS WIN, Labor Vote Defeats Steel Barons at Polls, Roosevelt Reelected. You must now win in the mills, on the job. ORGANIZE YOUR UNION." A few minutes after the results of the election were known, these leaflets appeared from one end of the steel country to the other.

The re-election of Roosevelt, combined with the 10 per cent wage increase which took place immediately afterward, and for which the SWOC claimed credit, gave a powerful fillip to the organizing campaign. The membership of the SWOC was for the first time officially announced. The figure given out by Philip Murray was 82,315. Timko's staff, which now consisted of six paid men and scores of volunteers, reported rapid increases in the numbers signing up or reaffirming their allegiance. The 10 per cent increase represented real results for which the steel workers were willing to pay, although the union did not again begin accepting dues until April, 1937. Up the Allegheny and the Monongahela, down the Ohio, across the Youngstown-Cleveland area, and out through the Chicago-Gary district the word was spreading that this was the real union for which steel workers had been waiting a long time. By the end of the month the membership was estimated at 125,000.

But with the coming of the new year, the impetus of November was nearly spent. Gains were consolidated by the decision to set up lodges everywhere that the membership justified it. Energy was being consumed by the drive on the company unions, and interest was diverted toward the General Motors strike. An organizer in Ambridge reported: "The workers regard the General Motors sit-

down as a test of the CIO. They give us plenty of encouragement, but hedge on joining. They realize that a defeat for the Auto Union would be a sickening disaster for the steel union as well. They hesitate to stick out their necks. 'Wait till you win the auto strike. Then we'll join.'" When the General Motors workers did win in February, the rush to join was even greater than in November, and the membership reached approximately 200,000. . . .

There was doubt as to whether the union could win an election even if the company kept its hands off. For a generation the workers' minds had been set in a pattern of repression, fear, and the failure of unionism. People don't vote for failures. There is no question but that on May 12 the workers wanted a union, but there was considerable doubt as to whether they would vote for it. Aliquippa was a little world by itself. . . . The reins of absolute power were still apparently in company hands. The workers had had no demonstration of their own solidarity. There had been no symbolic declaration of independence, no catharsis of the residues of the past. A strike would cleave the future from the present. What took place on May 12, 13, and 14 provides a perfect example of a successful organizing strike.

An eyewitness with strong union sympathies wrote an account of the strike to an intimate friend. . . .

"No one, not even the union, believed it possible. It was fantastic. They expected to get the men out, certainly. But not all of them, and not without some opposition from 'loyal groups' or from city or company police. The walk-out was complete. For the first time in years the valley is not brilliant red at night with smoke and fire from the Bessemeres.

"There were between one and two thousand men at the meeting when the strike

call was issued. The strike was set for eleven o'clock at night, when the shifts change. At 9:30, the men left the meeting and scattered themselves at the various gates of the plant. They got American flags and poles and stretched them across the main entrance. Between five hundred and a thousand men stationed themselves behind the flags. Thousands more assembled near by. By the time the second shift came off duty, the union's active men had increased to thousands, and a good share of those who left the plant remained outside on picket duty. All Aliquippa was there—except the police. Fully half the town remained on the scene until one o'clock this morning by which time practically all the men were out of the mill.

"Aliquippa rose up against a tyranny that had held it for years. For all practical purposes, the workers took over the reins of government. They were in complete control. Only for two hours were the police even in sight. They tried to force an allegedly empty bus through the picket line. They had gas and guns. But the bus was pushed back and out. The police were permitted to go through the line on foot, but when they tried to get out again, they were stopped. They had to blast their way through with tear gas. The strike is a rank-and-file affair. SWOC may have called it, but it is now in the hands of anyone who can lead. It is a mob, not an organization. They have no more control than their lungs can command.

"The strike is doing wonders for the men. Remember that Jefferson once said something about a revolution every twenty years or so being a blessing? The same is true of a strike. There is real solidarity now. And certainly no fear. In fact workers go out of their way to thumb their noses at company police by whom they have been cowed for years. Thousands of men have joined the union during the last

few days—especially after the strike was called. The union ran out of receipt books, membership cards and dues buttons. One fellow who signed up just before the strike paid two dollars in dues, for May and June. He said, 'Here is two dollars. Call the strike. If you don't, I'll never pay any more.' . . .

"In the papers, one gets the impression that a strike is a pretty exciting affair. Don't believe it. For every minute of action, there is an hour of monotonous waiting. You just stand in one place. The entrance was jammed with people. There were a hundred false starts and rumors. A sneeze would bring a thousand people to the spot. *Rapport* in such a crowd is an amazing thing. A kid hoots at a company cop on the other side of the tunnel, and suddenly 5,000 people are jeering at they know not what. The weather was cold and the rain came down in torrents. Apparently nobody gave a damn and the line scarcely thinned.

"Governor Earle came down to look things over this morning. His car was stopped by a picket. He asked for Timko, and when Joe was found, the Governor insisted that Timko accompany him into the mill. Timko got in the Governor's car and four cars of state police lined up behind. They drove through the tunnel and on the other side were halted by company police with raised rifles. They didn't recognize the Governor until too late. He and Timko got out of the car and the police tried to hide their rifles. Timko reports that the Governor said, 'Never mind. I've seen them. I don't want any trouble here. Let the company and the union get together and settle this peacefully.'"

Almost immediately after this occurrence, a conference between union and company officials was called in Pittsburgh. Timko left Aliquippa to attend the con-

ference and gave directions that no one was to believe any rumor, radio report, or newspaper story announcing the end of the strike until he returned and confirmed it himself. The conference resulted in the signing of a preliminary contract between the union and the company at noon on May 14. Timko asked for a copy to take back to read to the people. Transcribing the contract caused a slight delay and in the meanwhile the news was announced by radio. As soon as the copy was available, Timko rushed back to Aliquippa and found that the road was blocked by a solid line of cars extending two miles along the road approaching the town.

Timko took his place in line and had been there ten minutes or so when a state trooper rode by on his motorcycle. Spotting Timko, he drew up and said, "You're Timko, aren't you?" Joe admitted his identity and the trooper said, "Well, what the hell are you doing here? That mob in town won't believe that the strike is over. They say they'll stay there until hell freezes over unless they hear from you."

The state police helped Timko get his car out of line and escorted him half a mile toward Aliquippa on the wrong side of the road. There they found traffic completely blocked on both sides. So they walked the rest of the way. When Joe appeared, the crowd rushed at him and he waved the contract over his head. He read it over a loudspeaker and tried to quiet the immense throng. He told them to forget "scabs" and warned them against violence. He asked them to show their capacity for constructive collective action by breaking up the picket line and dispersing the crowd. The picket line broke up, but the people wouldn't go home. They wanted to celebrate and to vent years of pent-up emotion upon the heads of the "bosses" who had for forty hours been cooped up in the mill.

"Men were aching for a fight. Even while Timko was talking a man was beaten up. If someone were being led from the mill, what else was there to do but hit him? I saw this a number of times. Some damn fools would shout, 'Kill him, kill him.' Finally union men cleared the streets and the crowd lined up at the curbs to see who would come out. When the scabs emerged, threats were hurled and some of the women spat at them. The state police didn't want to meddle and the Aliquippa police were afraid."

In this emergency, Timko hired a band. For \$175 he got a band and a flag and led a parade away from the mill. Twenty thousand people were there and traffic was blocked up for twelve miles along the Ohio River. But the crowd was dispersed and the day was saved.

A week later, on May 20, an election was held under the auspices of the National Labor Relations Board. Balloting took place at both the Aliquippa and South Side works. The SWOC won by a vote of 17,028 to 7,207.

CLARENCE B. RANDALL¹

The Plight of the Individual Worker

Clarence B. Randall (1891-) is an American industrialist, vice-president of the Inland Steel Company.

In the unrest of the past two years there is one man whom the public has never seen in the photographs, and who has had

¹ Reprinted by permission of the publishers from Roger N. Baldwin and Clarence B. Randall, *Civil Liberties and Industrial Conflict*, Cambridge, Mass.: Harvard University Press, 1938, pp. 109-14.

no spokesman to tell the American people about his plight, and yet whose number has been legion. He is the man who was happy. He is the man who had a good job, and liked it, who had a young family coming along whom he wanted to educate so that they might progress in happiness and culture in the American way. He had had no quarrel with his foreman; he was not discontented with his rate of pay, for it was at the highest level which he had ever enjoyed; he was not being asked to work long hours; the plant in which he was employed was modern in every particular, and the town where he made his home was better than that enjoyed by any other workman in the world. He asked nothing of life but that he be permitted to work at that job, giving to his wife each pay-day a check of which he was very proud, and to nurse the hope that in another year or so he might get the next better job in his department.

His father had been born in a foreign land, where he had toiled long hours for low rates of pay, and where class distinctions were imposed upon him from birth which forever barred him from rising out of that industrial stratum into which he had been reared, but this American-born son knew that there was no hierarchy in American business, except that of merit. He had seen men of unusual ability go straight to the top in his own company, and he did not really feel that there was any class distinction between himself and his boss, or even the president of his company. He felt that they were all working together, that before he finished he would be a lot nearer the top than when he began, and he was very certain that the curly-headed boy who ran to meet him when he came home at night would go a lot further than he had.

When his factory installed new and better machinery, he saw skilled operators

develop who began to earn more money than they had ever earned before. They drove better automobiles, began to take up golf, and sent their children to summer camps. After the new machinery had been in for a while, the factory got more business than it had ever had before, and more buildings were built, and more workmen added. When an opportunity came to buy a little stock in the company he talked it over with his wife, and they put their savings into that stock because he thought it was a good institution. He heard quite a good deal of talk about economic security, and he came to the conclusion that in this changing world there was no security any greater than that of a good job in a well-managed and prosperous industrial company.

Into the life of this man there suddenly came a tornado, and he was blown violently hither and yon by forces which he did not understand, and over which he had not the slightest control. Men came to him who were strangers in his town, and who had never worked in his kind of business and told him that he was being cruelly mistreated. They promised to double his wages if he would join their union, and when he was hesitant they told him to be quick about it, because if he didn't sign by the following Thursday they wouldn't let him work at the plant any more. They told him that the President of the United States wanted him to join, and that was a powerful argument, because he had voted for the man who was then President, and admired him tremendously. He had heard a lot about strikes, and he didn't want to get into trouble, so he didn't sign.

By this time the stranger from out of town had sent a man around to see him from his own department whom he had never liked. He had always been something of a bully. This man kept coming

back to see him, and he had to make a decision. Finally the man came during supper time and brought the out-of-town stranger with him, and they pushed their way into the house where his wife and children were sitting at the table with him. He tried to get them to come out on the porch to talk about it, but they insisted upon staying right where they were. Their voices were pretty loud, and his wife didn't like it, and she kept looking down at the children. Finally the stranger said, "Missus, if John knows what's good for him, he will sign up," and then the two stalked out. The next day John signed. It didn't cost anything to sign, and even if it had, he would sign anything rather than lose that job, or rather than have anything happen to the children or to his wife. . . .

I make no comment upon whether or not the amalgamation of all the workers of the country into one or two all-powerful units is socially desirable. That would require another chapter. But I do point out that the methods adopted to achieve that end have involved encroachment upon the individual's real freedom to do as he wishes, and that they are of the sort that are not readily understood or detected. The statutes governing collective bargaining stipulate in the plainest sort of language that the individual workman shall be represented, if at all, by representatives of his own choosing, and yet in his innermost heart the individual worker often knows that when he signed he did not, in fact, have a free choice. If I may borrow a slang phrase, "He felt that he must join, or else." He is strictly an individualist and he is going to take no chances of suffering injury at the hands of a group more powerful than himself if signing their card will purchase immunity and permit him to stand on the side lines and abide the result.

ROBERT S. and
HELEN MERRELL LYND¹

Ineffective Organizing

Robert S. and Helen M. Lynd (1892- and 1896-) are well-known sociologists, authors and directors of the pioneer investigation of American community life reported in Middletown and Middletown in Transition.

We [Central Labor Union officers] started out to enroll all new men in a Federal labor union, which we looked on as just a recruiting union until the new craft unions could be organized. Men were coming in faster than we could handle them and we soon rolled up a total of 1,800 to 1,900 new men.

Then along came a Mr. —, sent in by the Amalgamated Iron, Steel and Tin Workers, who helped us line up the men at the K— wire plant and the M— bed-spring plant. But each time just about when things looked all set, he would pull some dumb stunt—we could never tell whether accidentally or on purpose. He would call premature elections at a plant to select our NRA negotiators; or he would encourage hotheads to make fools of themselves and get fired, and then he would hale the firm before the Labor Board, tell hazy stories, and put all our hard work on the rocks. The upshot of bum tactics like these was that all our people would get scared. The union at the wire plant struggled along for six or eight months and then went under. It didn't collapse because of any direct company intimidation, but because the organizer was no good and because the men lost interest when nothing big happened.

¹ From *Middletown in Transition* by Robert S. Lynd and Helen Merrell Lynd, copyright, 1937, by Harcourt, Brace and Company, Inc., pp. 28-33.

This shows one of our problems in organizing these men, who have lived all their lives in an open-shop town. The men wanted spectacular gains all at once, and when they paid their dues and there wasn't a strike and big achievements immediately they lost interest and began to kick. It's no cinch trying to organize a town like this!

Then we tried the [company manufacturing table silverware] and were going good till the Metal Polishers' Union finally sent in an organizer; he was a typical windy labor faker and such a poor man on the job that the men and women out there at the plant got disgusted and quit the campaign cold.

The effort to organize the X Brothers' glass plant was the worst blow of all. Organization enthusiasm was hitting toward its peak in 1933, and some of the X employees asked the Central Labor Union to organize their plant. We enrolled these first people in our recruiting union, held a mass meeting with about 150 of the 960 workers at the X plant present, and they signed up for the Glass Bottle Blowers' Association. We then sent a letter to the international union's central office asking that an organizer be sent to [Middletown]. To the surprise of us officers of the Central Labor Union, the answer came back that an official organizer named — was already stationed in [Middletown] and that there was a chartered local already. Neither this man nor delegates of this local had attended any of our labor meetings or sought affiliation with the Central Labor Union. So you see why we were surprised to learn that we had a chartered local and official organizer all the time right here in town!

When a delegation looked this organizer up, he seemed uninterested in the progress we had made, and claimed that the X plant couldn't be organized. He finally said he was willing to cooperate,

but he sure moved slowly. It was a time when men were being enrolled in other unions as many as 125 in a single afternoon, and the X workers grew restless at —'s stalling. Letters were again sent by us on to the Glass Bottle Blowers' Association asking them for another organizer; and, when we got no answer, a letter was sent to William Green, the president of the AFL.

Meanwhile, in January, 1934, we got fed up and invited the American Flint Glass Workers to come and take on the job. They sent in Mr. — who did fine work, and by March we had organized about 900 of the plant's total of 960 workmen. This was done by working out through groups of six to ten men from the 150 who had signed up at the first organizing meeting in the high school.

When everything was ready to present demands to the X plant, the Glass Bottle Blowers' Association came to life and their president and vice-president came to town. They did not come to the Central Labor Union to see us, so we went to the hotel to look them up. They were abusive because we had gone over their heads to William Green, and they demanded that the Flint Glass Union hand over the men it had organized.

There was a lot of bicker between the two unions, and finally the two presidents agreed that the men should join the Glass Bottle Union, but that both the Glass Bottle and Flint Glass Unions would join in working for the workers' demands and in presenting them to the X company. On the afternoon set, the representative of the Flint Glass Union presented to the X company the demands agreed upon for recognition of the union and other steps to be taken. The company said they were willing to accept unionization of the skilled operatives, but refused point-blank to allow organization of the unskilled and

semiskilled workers, who constitute the great bulk of their force.

Here we were square up against the issue between industrial and craft unions. The Flint Glass people were an industrial union including all the unskilled workers as well as the skilled, and they favored the same type of organization for the X plant. The Glass Bottle representative told us later that his union did not want industrial unionism because these unskilled people would not have any craft to protect and if they sent delegates to any of the annual conventions they would swamp the old-time craft union men.

But the spokesman from the Flint Glass Union stuck to his demands for an organization to include the unskilled labor, in his conference with the X company officials. Then at this point the company spokesmen took another tack and asked what right a Flint Glass man had to represent the Bottle Blowers' Association to which their men should belong if they organized. They said that a representative of the Glass Bottle Blowers' Association had called on them that morning and had warned them that the president of the American Flint Glass Workers did not represent the Glass Bottle Blowers' Association.

This jolted our negotiator back onto his heels because the two union heads had agreed jointly to back his negotiations. So he ended the interview in order to go back and consult with the Glass Bottle people before pushing the demands further.

It was decided to hold another mass meeting to discuss a course of action. This time the high-school auditorium was refused to us. After our Central Labor Union threatened to air the situation to local tax-

payers, the ruling was modified to permit use of the auditorium with payment of a \$35 fee.

At the mass meeting of workers that followed, the various organizers spoke and had the crowd aroused and ready for action. Then Mr. —, still the official Middletown district organizer for the Glass Bottle Blowers' Association, spoke, and the longer he spoke the more his pessimism antagonized the men and dampened their enthusiasm, until men began to get up and leave. That killed the effort to organize the X plant, and another meeting was never held. Company union "tools" got busy about this time, too, and pushed the company Benefit Association. All that's left now of the effort to organize the X plant, aside from the union bricklayers and carpenters, is the little group of moldmakers who hold their charter in the Flint Glass Workers' Union. . . .

The whole mess at the X plant was a body blow to local organization. Our people began to sense the lack of harmony in the AFL; and, after a few months, those who had paid in dues when enthusiasm was running high began to ask for the return of their money since no union had been formed. The money had gone to the International Union and was not returned. The men just can't understand this. And the upshot is that a lot of these fellows now think the unions are a racket, and they are not interested in trying again to organize. We local officers have got pretty thoroughly fed up with international union officers, too. They're all fiery and for planning big things—and then they prove windbags or—they double-cross you!

4. Establishing Sovereignty

A UNION, like all other social institutions, is subject to growth or decline. Its vitality and strength depend in large part, but not entirely, on the degree to which it meets its members' specific needs. In order to get and maintain rights for workers, the union itself needs to be strong. The union as such, therefore, attempts to achieve sovereignty, to obtain rights for itself as an organization. These rights may be described as institution-building devices. They improve the union's power to implement the rights obtained for the workers. They represent the union's bid for sovereignty with respect to employers, other unions, and workers. For it must be remembered that a right for workers is as strong as the obligation to observe it placed upon the employer, other unions, other workers, or the general community, and as the ability of some enforcing agency, in this case the union, to compel performance if the obligation is not willingly observed.

The employer and the general community, be it noted, are not the only ones upon whom obligations must be placed if the common rules defining the workers' rights are to be enforced. Individual workers must be "kept in line" with such common rules, otherwise the rules are undermined. The union by the laws of its own being seeks the power to compel performance from individual workers so that the standard is not undercut. Moreover, the union seeks to prevent encroachment upon its territory by other unions, a particularly important objective in the American labor movement. Clearly this strength and security of the union vitally interests not only union members but also those union officials whose livelihood and careers depend upon the stability and growth of the organizations they serve.

The most important means by which unions attempt to establish their own strength with respect to employers, other unions, and workers are the agreement with workers and the employer on the type of security afforded the union (closed shop, preferential shop, union shop, maintenance of membership, and the like) and the establishment of its jurisdiction with respect to other unions. These means are discussed in the chapter which follows.

Since the passage of the National Labor Relations Act any union which can demonstrate a membership consisting of a majority of the employees in an appropriate bargaining unit is assured of status as the exclusive bargaining agent for

the employees in that unit. That status, if certified by the National Labor Relations Board, holds until a subsequent reversal by that Board. Unions without a majority of employees may still obtain recognition as bargaining agents from employers, but the Board does not compel recognition. Nothing in the act prohibits recognition of minority unions. No legal barrier exists to certification of a union representing a minority of the workers for its members only. But the Board has administratively decided not to make such certification. Therefore, a minority union's legal protection is still the same as before the passage of the act. Recognition depends upon the voluntary action of the employer or upon a decision forced by the union's economic strength. However, a majority union's right to recognition would seem at the moment to be adequately supported by law.

For a majority union, therefore, the primary problem is not recognition but the kind of recognition and the degree of security it provides. The chief kinds of union security referred to will be:

1. *Closed shop*, in which the employer is required to hire only union members.
2. *Preferential shop*, sometimes in combination with the union shop, in which the employer agrees to hire union men *if they are available*.
3. *Union shop*, in which an employer may hire without reference to union affiliation, but all employees, after a defined period of employment, must become members of the union.
4. *Maintenance of membership shop*, in which no requirements as to hiring union members or joining the union are imposed upon the employer and employees, but once workers join they are required to maintain their membership in good standing as a condition of employment for the duration of the contract.

What are the respective objectives and interests of the unions, the management, and the public in regard to union security and what is the potential effect of each kind of union security on the accomplishments of these objectives and interests?

The major objectives of unions and management indicate that the main issue between them concerns not so much the details of the several devices, but the pattern of industrial relations these devices exemplify and make effective. The issue is between complete regulation of the terms of employment by collective agreement or union domination and the freedom of the employer to alter those terms in accordance with his will or necessity. The union wants individual bargaining eliminated. The employer wants individual differences retained wherever they serve his purpose. This need have nothing to do with prejudices for or against unions. It involves an outright dickering for economic and functional advantage. Let us be more specific.

Why do unions strive for a closed or a union shop? Primarily because under those arrangements individual bargaining is not possible. If an individual breaks the common rule, he can be stripped of his union membership and consequently deprived of the job he holds. The union has, therefore, a powerful instrument for enforcing the common rule and making certain that all terms of employment

shall be collectively determined. Anything less than this, maintenance of membership for instance, still leaves outside a group of potential trouble-makers upon whom the union can impose no formal discipline.

Along with the desire to eliminate individual bargaining goes the desire to make collective bargaining effective. Recruiting is automatic in a union shop, and the closed shop is a powerful argument for joining the union in order to get a job. In both cases, the union has gained an ally in its discipline. To the punishment of expulsion is added that of discharge. Indeed expulsion from the union is not apt to be very effective if the expelled member remains one of the company's nonunion employees. Beyond this control of members, the objectives of the union reflect the dangers which threaten both collective bargaining and the power of the union to do that job effectively.

The first danger we have already referred to, the possibility that nonunion people will undermine the common rule. This danger is individualism as created by different sectional, industrial, and occupational backgrounds among the workers. The common interests of the working class are not sufficiently felt to prevent their differences from handicapping group solidarity. The economic, social, and geographic mobility of the American people has made difficult the development of a father-to-son, working-class tradition, let alone an occupational tradition in many industries in which unions are attempting to weld the workers into a common group and achieve a group loyalty which will make collective bargaining the dominant technique of employer-employee relationships.

The closed or the union shop does not eliminate these individualistic variations, but in the judgment of many thoughtful labor leaders it helps hold the line until the habits and loyalties necessary for effective group action are formed. Until that result is obtained, however, many short-range problems arise. "A man convinced against his will, is of the same opinion still." If too many workers are blanketed into the union without being convinced that the step is desirable or advantageous, internal dissatisfaction may break down a growing union loyalty by spreading to those who voluntarily joined. If union leadership is poorly trained or inept and mismanages the affairs of the union, these dissidents may undermine that solid loyalty necessary to maintain interest and devotion in spite of such mismanagement. If leadership is not aggressive and imaginative, the security of the union's position may aggravate its laziness so that it yields to the temptation to invoke sanctions rather than persuade by demonstrated benefits. A disgruntled union membership does not develop co-operative morale. Moreover, if the union restricts membership or has high initiation fees it appears to bar men from jobs, which in turn arouses worker and public resentment.

Union leaders are not unaware of these dangers to group solidarity, but, as will be indicated in the readings following, some of them at least are convinced that they are not so dangerous as the lack of compulsory union membership when a majority has voluntarily decided upon that course. The habits, thoughts, and sentiments necessary to overcome individualistic tendencies among American

workers and create a co-operative loyalty are, they believe, more easily learned on the inside than on the outside of the union. They recognize that compulsion is involved, but believe that it is necessary so that the worker will unlearn the behavior antagonistic to collective solidarity and learn that which makes collective action successful. Such learning is necessary either for support of a common rule during a period of industrial peace, or for support of measures of force as in a strike.

The second source of danger is the employer. The era of the open shop is too recent, the memories of employer opposition to collective bargaining are too vivid, to expect that union leaders would lose all anxiety on this score. Even if every trace of such opposition had disappeared from management practices at the moment, the anxieties would remain as drives toward maximum union security. The experience of union leaders leads them to believe that substantial traces still do exist. Even where the union is definitely accepted as an integral and permanent part of the company's plan of operations, these leaders sense a conflict at certain points between collective bargaining and management freedom which puts them on their guard. The danger is less in degree but nevertheless real, they say, as long as management insists on freedom to make changes in job evaluation and assignments, to reward individual merit under any system in the shaping of which the union has not participated. Although no weakening of the union may be intended, only consequences and not purposes count. The consequences are under greater control if all employees are members of the union so that no possible question of discrimination or favoritism can arise.¹

The strength of this objective can be expected to decline as American management genuinely accepts collective bargaining and utilizes the freedom it needs in ways which strengthen rather than weaken the collective determination of the terms and conditions of employment.

The third source of danger is a rival union. This danger is particularly acute in America and is worsened where a portion of the employees are not members of the established union. Of course this threat is not always present, but it cannot be neglected in certain areas of industry. On this issue as in the struggle with the employer, the history of jurisdictional strife and the present contest for power between the several branches of the American labor movement show how unions have sought and seek a secure hold on the exclusive right to representation and the kind of membership controls which reduce the chances of challenge to that right.

For union leaders, then, the union or closed shop is an institution-building device. The union secures an ally not only in recruiting (under the union or closed shop) but also in disciplining its members, since expulsion from the union makes necessary discharge by the company. The union seeks security against the undercutting of its position by nonunion workers or unco-operative members.

¹ In this connection Slichter's comment that interest in control of hiring appears to be less intense in those unions which have developed satisfactory control of lay-offs is pertinent.

by employers, and by rival unions. Given this security it still faces the task of making collective bargaining adequately and effectively advanced the welfare of workers.

The employer's objectives and interests which may be affected for better or for worse by the type of union security clause in his agreement are several. First, he needs access to adequate supplies of labor. The arrangement which bears most on this objective is the closed shop, for under it his supply is limited to the membership of the union. The closed shop arrangement is even more restrictive if the union limits its membership in any way. Somewhat less restrictive is the preferential shop. Since the union shop and maintenance of membership place no restrictions on hiring, these arrangements would eliminate only those who would not apply for employment or would refuse to work in a shop with such arrangements.

Second, the employer wants freedom to build up a competent and efficient staff of workers. The most elementary exercise of this freedom is to hire the best and fire the worst. None of these union security provisions in itself prevents an employer from dropping men from his pay roll for cause. The chief worry of the employer is that he might have to drop useful and efficient employees because they failed to keep in good standing as union members. If this occurred only when scattered individuals voluntarily decided to resign from the union, his anxiety would not be so acute; but he has heard of the exclusion of members for reasons having to do with the control of power within the union. He has heard of the International's intervening in local factional strife and expelling some members. He has no control over such squabbles, yet he would feel the consequences in loss of a part of his working force, which might do irreparable harm to his operations. Such events are not frequent, but an employer must foresee them if he can. His opposition to compulsory union membership as a condition of employment arises partly from this possibility.

His freedom to hire the best men would be less restricted under union-shop or maintenance-of-membership than under closed-shop or preferential-shop arrangements. But if the union is open to all workers the latter may not be unduly restrictive because if the union is strong enough to get a closed or preferential shop, it will probably be able to attract into membership the best workers in the area. This would be particularly true of the craft unions whose members work for a number of different employers.

Third, the employer seeks freedom in operating his plant in matters other than hiring and firing. No generalization can be made as to the consequences of a particular form of union security on this freedom, but the suggestion from a number of managers and union leaders that the secure union can afford to be less exacting about these other matters ought not to be ignored. This attitude would not be inconsistent with the general objectives held by unions, namely, to limit the discretion of the employer wherever his action might undermine the stability of a common rule. A union with security and the possibility of

disciplining members who broke the common rule would not need to exercise the same degree of control over the employer's discretion in other matters.

One major objective of employers is to build loyalty to the firm. Many employers feel that loyalty to the union competes with loyalty to the firm. A man cannot serve two masters, they feel. No doubt this conception of competition springs from attitudes developed in the days when many employers sought to avoid unions. Assuming such an objective, the good union man was on the "wrong" side as far as the employer was concerned. Even after the employer has accepted collective bargaining as the order under which he will work, his dealings with the union leaders lead him to think at times that they have very little concern for the welfare of the firm, particularly if they are not his own employees. He finds it easy to ascribe this same indifference to those who support the union leaders as members, and easy to believe that the more employees in the union, the fewer there are who are "good company men."

Several of the common objectives of management, unions, and workers, discussed in other chapters, are affected by the form and substance of union security. Some of these objectives are closely related to the public interest.

Consider the objective of industrial peace. The union or closed shop eliminates attempts to organize the unorganized and the restlessness which frequently results. It reduces the resentments of union men against those who "don't pay their freight," and the temptation to "make" or "blow up" issues or grievances in order to demonstrate the value of the union to nonmembers. It makes it less necessary to prosecute every grievance regardless of its merit. It improves the control of the union over wildcat elements. It provides a sanction which may be helpful in creating a responsible and well-disciplined organization.

With a closed or union shop, of course, a union may more easily get co-operation among workers in utilizing force against management, unless, as previously indicated, blanketing workers into the union has disrupted its morale. The need of force, however, is more likely to be felt at the beginning of a closed or union shop agreement than after it has been in effect for some time.

Secure unions may co-operate in promoting productive efficiency. Only a secure union, according to many labor leaders, will be able to carry through such co-operation, even if its officers are honestly convinced of its necessity and desirability.

We have not discussed so far the workers' objectives which are affected by the type of union security provided. Fundamentally, the worker wants progress in his own security and so far as the union advances that progress he is concerned that it should be strong. Even the nonunion worker in a firm where collective bargaining prevails has that concern. Traditions of individual freedom and the long period in which unions have been thought of as voluntary associations like clubs or lodges or churches or political parties have left their mark upon the workers. Some workers object to compulsory union membership not only because they are unwilling to support such an agency, but because they feel

they should have individual freedom. The concept of the union as a rule-making and rule-enforcing agent like government which should be supported by all those who derive benefit or who have their liberties curtailed by its rules is not shared by every worker. Some of them, an unknown proportion, resist compulsory membership on principle. Unions must strive, as must all agencies of social control, to replace this principle by a willingness to accept majority rule and undertake the obligations imposed by that rule. The background of American workers makes it unlikely that the principle will be modified entirely by unanimous consent.

Clearly, however, if compulsory membership were to become the dominant practice, the public has an interest in preserving the participation of the membership in determining the policy and practice of the unions of which they must be members. If the majority has declared for bargaining and negotiation through collective instruments, workers and the public have a right to expect that other principles of democracy shall be observed. The problems of intra-union democracy are discussed in Chapter 6.

UNION SECURITY

SELIG PERLMAN¹

Job Territory

A union can never become strong or stable except by attaching the individual to itself through the tangible benefits accruing to him from its administration of the job opportunities of the group as a whole, neither can it be a union in the full sense of the word unless it has educated the members to put the integrity of the collective "job-territory" above the security of their individual job tenure. Unionism is, in this respect, not unlike patriotism which may and does demand of the citizen the supreme sacrifice, when the integrity of the national territory is at stake. Just as a mere pooling by forty million Frenchmen of their individualistic

self-interests will not yet produce a patriotic France, so a bare adding together of the individual job interests of five million wage earners, united in a common organization, will scarcely result in a labor movement. To have a really stable unionism and a really stable labor movement, the individual members must evince a readiness to make sacrifices on behalf of the control by their union of their collective "job-territory," without stopping to count too closely the costs involved to themselves. And like nationalism, unionism is keenly conscious of a "patria irreidenta" in the non-union portion of its trade or industry. . . .

True, the more distinct the trade identity of a given group and therefore the clearer the boundaries of its particular "job-territory," the stronger are normally the bonds which tie the members together in a spontaneous solidarity. Yet, on the other hand, the specific area of that common job-territory, or of the common op-

¹ Reprinted by permission of the author from Selig Perlman, *A Theory of the Labor Movement*, The Macmillan Company, New York, 1928, pp. 273-74, 275-76.

portunity which a group considers its own, is seldom fixed, but is constantly tending to widen, just as the numerical size and the composition of the group itself is constantly tending to grow. When accumulated technological changes have undermined the partitions between the several grades of labor in an industry and have thus produced a virtually undivided "job-territory" for all employed in it, the function of framing "rules of occupancy and tenure" for the job opportunities included within the now expanded job-territory will sooner or later be taken over by an *industrial* union or by an *amalgamated* union bordering upon the *industrial type*. And that union, when it will come to face the common enemy, will display a solidarity no less potent than the solidarity of the original craft union, although as a job administrator the new and expanded union will endeavor to give recognition, so far as it will still remain possible, to the original particularistic job claims. . . . Many are the influences affecting union job control: the legal status of unionism, the policies of the government, a favorable public opinion, and others. Thus every union soon discovers that the integrity of its "job-territory," like the integrity of the geographic territory of a nation, is inextricably dependent on numerous wide relationships.

BUREAU OF LABOR STATISTICS¹

Types of Union Recognition

The various degrees of union recognition or union security are commonly re-

ferred to as closed shop, union shop with or without preferential hiring of union members, maintenance of membership, preferential hiring with no membership requirements, and sole bargaining with no membership requirements. Check-off arrangements are of two kinds, usually referred to as automatic check-off and check-off by individual authorization.

Under closed-shop agreements, all employees are required to be members of the appropriate union at the time of hiring, and they must continue to be members in good standing throughout their period of employment. Most of the closed-shop agreements require employers to hire through the union unless the latter is unable to furnish suitable persons within a given period; in such case the persons hired elsewhere must join the union before starting to work. A union-shop agreement which, in addition to requiring that all employees join the union within a specified probationary period, states that union members shall be given preference in hiring, differs very little in effect from the closed-shop agreement. In a few cases, employees hired before a closed- or union-shop agreement is signed are exempt from the union-membership requirement.

In contrast to closed-shop agreements, a union-shop agreement gives employers complete control over the hiring of new employees, who need not be union members when hired. They must, however, join the union within a specified time, usually 30 to 60 days, as a condition of continued employment.

A maintenance-of-membership agreement requires that all employees who are members when the agreement is signed, and all who join the union later, must retain their membership for the duration of the agreement. The maintenance-of-membership provisions established by order of the National War Labor Board

¹ Bureau of Labor Statistics, *Extent of Collective Bargaining and Union Recognition, 1945*, Bulletin No. 865, Washington, D. C., 1946.

TREND IN UNION RECOGNITION IN THE UNITED STATES, 1941-45

Item	1941	1942	1943	1944	1945
Eligible for union-agreement coverage:					
Number (in millions)	31	31	31	30 $\frac{1}{4}$	29
Per cent under agreement *	30	40	45	47	48
<i>Percentage distribution</i>					
	1941	1942	1943	1944	1945
Workers under agreements providing for:					
Closed shop	{ 40	{ 45	30	28	30
Union shop			20	18	15
Maintenance of membership		15	20	27	29
Preferential hiring		5	2	2	3
Other		35	28	25	23

* Percentages not strictly comparable, year by year, because of slight changes in volume of employment during the period.

† No data.

allow 15 days during which members may withdraw from the union if they do not wish to remain members for the duration of the agreement.

Some agreements provide for preferential hiring without union-membership requirements. In other words, union members must be hired if available but, if not, the employer may hire nonmembers, and such persons need not join the union as a condition of continued employment.

Some agreements do not require union membership as a condition of hiring or continued employment. The union is recognized as the sole bargaining agent for all employees in the bargaining unit and is thus responsible for negotiating the working conditions under which all workers are employed, including those who do not belong to the union. This type of agreement, unlike the others, does not enable the union to rely on employment per se to maintain or increase its membership.

F. P. DUNNE¹

Mr. Dooley on the Open Shop

F. P. Dunne (1867-1936) was the famous American humorist who as "Mr. Dooley" wrote keen criticism and satire of life in the United States.

"What's all this that's in the papers about the open shop?" asked Mr. Hennessey.

"Why, don't ye know?" said Mr. Dooley. 'Really, I'm surprized at yer ignorance, Hinnissey. What is th' open shop? Sure, 'tis where they kape the doors open to accommodate th' constant stream av' min comin' in t' take jobs cheaper than th' min what has th' jobs. 'Tis like this, Hinnissey: Suppose wan av these freeborn citizens is workin' in an open shop fr th' princely wage av wan large iron dollar a

¹ F. P. Dunne, "Mr. Dooley on the Open Shop," *Literary Digest*, November 27, 1920.

day av tin hour. Along comes anither son-av-gun and he sez t' th' boss, "Oi think Oi could handle th' job nicely f'r ninety cints." "Sure," sez th' boss, and th' wan dollar man gets out into th' crool woruld t' exercise hiz inalienable roights as a free-born American citizen an' scab on some other poor devil. An' so it goes on, Hinnissey. An' who gits th' benefit? Thru, it saves th' boss money, but he don't care no more fr money thin he does his right eye.

"It's all principle wid him. He hates t' see men robbed av their indipindence. They must have their indipindence, regardless av anything else."

"But," said Mr. Hennessey, 'these open-shop min ye menshun say they are f'r unions if properly conducted.'

"Shure," said Mr. Dooley, 'if properly conducted. An' there we are: an' how would they have them conducted? No strikes, no rules, no contracts, no scales, hardly iny wages, an' dam' few mimbers.'"

WILLIAM M. LEISERSON¹

Closed Shop and Open Shop

A closed shop, as popularly understood in the United States, is a place of employment where none but union members may work. An open shop, according to its formal definition, is a place where workers are employed regardless of union affiliation and where unionists and non-unionists may work without discrimination. This formal definition is intended

to imply a certain ethical superiority for the open shop over the closed shop, and employers who are opposed to labor unions attempt to press this advantage still further by spreading the use of the term "American Plan" as a synonym for open shop. It is to be noted that a place that is closed to union members, where none but non-unionists may work, is commonly called an open shop.

These names, however, are but battle cries in the conflict between employers and labor organizations over the problem of unionization. They serve to obscure the essential point of contention, which is whether the shops shall be union or non-union. Many unionists therefore have insisted, vainly, on the substitution of the designations "union shop" and "non-union shop." If terms of employment are fixed by mutual agreement between an organization of workers and their employers the places covered by such agreements are union shops. If workers are employed individually on terms which the employers stipulate then non-union shops are maintained. The difference between the two types of shops thus hinges on whether wages and other conditions of employment are fixed by collective bargaining or individual bargaining. This is the crux of the controversy between labor organizations and employers, which the ethical implications in the words open, closed and American tend to obscure.

Both union shops and non-union shops may be open, closed or preferential. A closed shop may exclude union labor or it may exclude non-union workers. A preferential union shop gives preference to union members, while a preferential non-union shop discriminates against union members in favor of those who are not members. An open shop may be operated under a collective contract with trade unions as well as by employers who refuse to deal with unions. . . .

¹ From William M. Leiserson, "Closed Shop and Open Shop," *Encyclopedia of the Social Sciences*, copyright 1930 by The Macmillan Company and used with their permission, Vol. III, pp. 568-70.

Trade unionists frankly defend the principle of the closed shop although in practice, because of the active opposition of employers and through considerations of expediency, they consent to open and preferential shops. . . .

The issue of the closed shop is confined almost exclusively to the United States. In European industrial relations the union shop has been accepted more or less tacitly by employers and its tradition in workers' circles dates back to the period of the guilds. The closed union shop has not been so much stressed by European trade unions for many reasons. The higher degree of unionization, the fact that the working classes are more homogeneous in character and that opportunities for wage earners to move up in the economic scale are rare make it possible for them to depend far more on the class feeling of the workers to protect gains won by strikes and organization. In the United States, however, the presence of great numbers of immigrants, the relatively ample opportunities for workers to rise out of the ranks of labor, as well as other economic and social factors, made the development of such a feeling of class solidarity impossible. Threatened on the one hand by those who were willing to accept low wages and a long working day because they considered their position as wage earners only temporary, and on the other hand by new groups with lower standards of living, most American trade unions saw in the closed shop their only protection. Their policy, therefore, is not to be explained as a mere desire to force non-unionists to pay their share of costs and sacrifices involved in maintaining organizations and securing improved conditions.

The railroad brotherhoods had nothing to fear from immigrant competition; train crews could not be made up of foreigners. The nature of railroad administration, requiring as it does standardized schedules of wages, hours and rules of discipline

which can be changed only by orders from a central office, also eliminated the possibility of lowering union standards by secret individual bargaining. Moreover, the hazardous nature of their occupation brought the men into the union rapidly in order to take advantage of insurance benefits. Amply protected by these conditions, the railroad organizations have been content with open union shops. The degree of insistence by unions on the closed union shop policy thus varies with their ability to make gains secure by other means.

There is a growing opinion on the part of the more far sighted American labor leaders that there must be a shift in discussion and policy from the issue of the closed shop to that of the union shop. Overemphasis on an inflexible closed shop policy has in some instances led to abuses in union management, has stiffened the opposition of employers to all union shops and has alienated influential sections of the public. In such a shift the problem of whether union standards shall be maintained through closed, preferential or open shops will depend upon the special circumstances of each situation.

HAROLD F. BROWNE¹

The Closed Shop: A Summary

Harold F. Browne was formerly with the National Industrial Conference Board.

In a group of 192 companies, selected at random, 102 have agreements with labor organizations. Of these 102 com-

¹Harold F. Browne, *Studies in Personnel Policy* #12, National Industrial Conference Board, New York, 1939.

panies, 19 have the closed shop, nine have preferential hiring agreements, and three have definite "check-off" arrangements.

Although executives of a large proportion of the companies covered expressed opposition to the closed shop, a few believe either that there might be advantages in such an arrangement, or reported satisfaction with their experience under the closed shop.

Possible advantages under closed-shop operation cited by industrial executives include:

- ✓ 1. Eliminates factional strife within the working force by giving a single union exclusive recognition and an assured status.
- ✓ 2. Improves discipline by holding the union responsible for actions of employees, all of whom must be members of the union and, therefore, answerable to the union officers.
3. Puts an end to periodic, short but troublesome interruptions to operation.
4. Ends the frequent demands by the union for concessions from the employer for the sole purpose of holding membership.
- ✓ 5. Tends to standardize wage costs.
6. Brings about a greater feeling of responsibility and interest in their jobs on the part of employees because of a voice in determining working conditions.

Anticipated or experienced disadvantages of the closed shop as stated by industrial executives include:

1. Interferes with the employee's right to decide the question of membership or non-membership in the labor union.
2. Makes employment contingent on maintenance of good standing in union, and, consequently, commits the employee to permanent union membership.
- ✓ 3. Tends to create a labor monopoly.
- ✓ 4. Destroys discipline and efficiency by making the union officers seem more powerful than the foremen.
- ✓ 5. Places the union, which has neither investment in, nor responsibility for, the

business, in a position where it can checkmate the management's operating policies.

- ✓ 6. Deprives management of the power to determine who shall be selected for employment.
- ✓ 7. Tempts the union officers to become arbitrary and unreasonable, because their status is assured.

Observations of an Employer on the Closed Shop¹

I have read with much interest your study on the closed shop. It is limited, as you point out, to the viewpoints of management and of organized labor leadership. In view of the increasing importance of this subject, would not a study by The Board as to the effect a broad extension of this practice might have upon the public welfare generally be of value?

In meeting demands for the closed shop which we, like many other employers, find are being pressed with greater and greater insistence, it does not seem to me that we are justified in making a decision based solely upon the viewpoints which you outline. Many of us are concerned upon other grounds as well, because of conditions which, at least as we see them, can be summarized as follows:

1. Aside from the Railroad Brotherhoods, labor unions are now free of any form of legal control or regulation. With a few exceptions, national unions seem practically always dominated by small groups, sometimes by individuals. No matter how democratic the form of their organization may be theoretically, in practice these groups and individuals, once in

¹ Letter from an employer reproduced in *The Conference Board Management Record*, National Industrial Conference Board, Inc., May, 1939.

power, seem able to continue themselves in power. Year after year we see the same names appear. The same group domination is usually seen in the Locals. Moreover, the local groups are controlled to a very large extent by the district officers of the national body, who are not elected, but appointed by the semipermanent group controlling the national organization. . . .

2. The closed shop and check-off are usually demanded together. Demand for the latter is readily waived at first but once the closed shop is established it usually follows. It is of minor importance compared to the closed shop. Assessments in addition to dues seem seldom to be levied under open shop conditions and even then are at times ignored by union members. Their livelihood is not dependent upon payment. This is not the case under closed-shop conditions. The power in the hands of small semipermanent groups to control great sums from dues and to raise large additional sums from assessments which amounts they may expend for almost any purpose, with no real restraint and subject to the sketchiest of auditing, if any, is a weapon of tremendous force.

If through acquiescence in a broad extension of this closed-shop practice, management voluntarily places this power in the hands of such small, irresponsible and almost self-perpetuating groups which speak for and lead, in political as well as union matters, large numbers of the most class-conscious and least-thinking part of our population, the result may well constitute a real menace to the well being of the country. . . .

Many of us would probably feel differently about the closed shop if unions were under some degree of restraint or control. . . . It might be a different matter, for instance, if the powers of the semi-

permanent groups in control of unions were under some legal restraints; if assessments were subject to Local approval; if audited and detailed financial statements showing what became of the money had to be made public, if proper restrictions were put upon the use of such money, such as the prohibition of contributions to political parties; if strikes were illegal unless authorized by the affirmative vote of an actual majority of those affected, possibly by secret ballot; and particularly if one-sided and unfair labor legislation like the Wagner Act were replaced with legislation such as that in the English Labor Disputes Act.

I am possibly unduly apprehensive as to what will result from the present trend toward the closed shop. I might add also that I do not belong to the union hating class. I am dealing with unions and operating under union, but open-shop, agreements, so far successfully. However, at each conference, the insistence upon closed-shop practice becomes greater. If I had to base my decision simply upon the comparison of advantages and disadvantages outlined in your study, I might be tempted to make the concession even though I believe that the coercion of an employee by the brutal method of depriving him of his livelihood is wrong from any point of view.

Ultimately, I believe, the general acceptance of such a practice can lead only to further restrictions upon individual liberty of action in still other directions. However, until unions are organized upon a different basis and subject to restraint and regulation for the public good, the voluntary handing over of any such additional power as that represented by the closed-shop practice seems to me wrong from the point of view of a citizen as well as an employer.

NATIONAL ASSOCIATION
OF MANUFACTURERS¹An American Principle
and the Closed Shop

The American System of working and living is based on a group of fundamental freedoms for the individual, among them the Freedom of Work.

It is a simple freedom. It means and it has meant through the years simply that when a man has a job offered to him that he wants to take he has a right to take it. It is so inherent a right in our democratic state that it has never—up to now—been seriously challenged.

Today, that right is in jeopardy, endangered by a program being pressed by certain labor leaders, and in many cases pressed with ruthless violence and intimidation. It is the concept of a Closed Shop in industry. That this Closed Shop drive is being waged in a time of national emergency and at the cost of vital defense production is less important than the principle at stake. It has been said that such a scheme of labor monopoly as is now being demanded by some union leaders is a national menace, a threat to the whole range of freedoms which Americans have had and want to keep.

Men of good will everywhere—educators and Presidents, employers and workers—have denounced it, for the Closed Shop is as morally wrong as the Closed Mind.

The right to work where and upon whatever terms one wishes, so long as one does not injure his neighbor, is at the root of the incomparable system that has been developed in this country. From it has

grown our national pattern of individual initiative and free enterprise. It gives to every man and woman, regardless of his affiliations, the right to devote his vigor, his intelligence, and his will to that field in which his interests and capabilities lie. . . .

Industry takes the position that the employer has no right to force employees to join or, once in, to force them to remain in unions through such contractual devices as the Closed Shop, the Union Shop, or any of the coercive Security Shop arrangements. This is a matter for employees to determine for themselves; employer insistence on individual union membership constitutes a violation of the employee's basic freedoms, notably the Freedom of Work. Like the Government, industry does not wish to be a party to such totalitarian tactics.

WHAT DOES THE CLOSED SHOP MEAN
TO THE INDIVIDUAL?

It means, among other things, that if he is an able and conscientious worker who decides of his own adult, free will that he no longer desires membership in the union—then he must lose his job.

It means that if he is a "conscientious objector" to the principles of unionism (fewer than 20% of America's workers are organized into unions) then there is no job for him unless he sets his scruples aside and signs up.

It means that if he has been a union man for some years and wishes to register his opposition to corrupt union leadership by resigning from the union, he cannot do it under the Closed Shop and keep his job. He has the choice of paying out his money to the crooked leadership or losing his means of livelihood. This compulsion to go on paying exists, of course, even where the union leaders are under indictment for crimes, or are actually in prison.

¹ *The Closed Shop*, National Association of Manufacturers, New York, 1941.

The "closed" shop is just that—closed against effective protests from the very membership which supports it. It is, in fact, a monopolistic shop. The closed, monopolistic shop is just as unsound as any monopoly of production or distribution. It is as alien to our principles and beliefs as the Gestapo or the persecution of religious minorities.

WHY IS THE CLOSED SHOP A THREAT TO THE AMERICAN SYSTEM?

1. The Closed Shop violates spiritual principles because it denies the theory of individual personality and individual free-will.

2. The Closed Shop violates economic principle, because it does not permit employment to be based primarily on individual ability, lowers quality and quantity of production, and thus unnecessarily increases production costs and prices to consumers.

3. The Closed Shop violates the American Bill of Rights because it denies to the citizen the free right to work at a job on terms mutually satisfactory to the employer and employee.

4. The Closed Shop vests autocratic powers in union leaders, and this power, coupled with the huge sums of money collected from unwilling as well as willing workers (and with no legal requirement to account for receipts and expenditures) results frequently in corruption, exploitation, and misuse of authority.

5. The Closed Shop gives union leaders virtual veto power over management—although these leaders have no responsibility for the welfare of the company or of its owners and workers, or for the community in which the plant is located.

6. The Closed Shop espouses discrimination and the destruction of equal competitive job opportunity.

7. The Closed Shop discourages individual incentive, initiative and efficiency, since it tends to destroy the worker's normal motivation to demonstrate superior ability. . . .

In defense of the Closed Shop, labor leaders have relied mainly on two general arguments. The first is social and ethical. All workers, it is claimed, benefit from the gains obtained through unionism; therefore, all should support the unions through membership and dues payment; if they are not willing to render this support voluntarily, they should be compelled to do so. This is no more unfair, it is asserted, than the requirement that all citizens support the Government and help pay its expenses through taxation, since the benefits of government are shared by all.

The argument has two weak points:

First, there is considerable doubt as to the part that unions claim in raising the wages and improving the working conditions of labor. Some competent students believe their influence has been relatively slight. Certainly, in the pre-Wagner Act era, the highest wages and the most favorable conditions were found, with few exceptions, in industries where the open shop prevailed and union membership was small.

Second, the thesis is based on a false analogy between a government and a private organization. A government, by its very nature, has the right to tax for its support all who live under its jurisdiction. That is one of the things that make it a government. A private organization—and certainly one that is not responsible to the law, to its members, or to the public—does not have this right. To grant it would be to upset some of the fundamental doctrines of the American political and economic system. The union argument, if it proves anything, proves too much. If every worker who is supposed to benefit from

the activities of unionism ought to be required to join a union, every manufacturer ought to be compelled to join the National Association of Manufacturers, and surely every beneficiary of Christian civilization ought to be forced to join a church.

The second general argument advanced by labor leaders in favor of the Closed Shop deals with supposed advantages to the employer's business. Under a Closed Shop agreement, it is claimed, factional strife is eliminated, and the management is not subjected to conflicting claims from rival organizations. To a limited extent this may be true, although the records of the National Labor Relations Board include numerous cases in which Closed Shop contracts have been ignored and rival organizations have built up sufficient strength to contest the claims of the unions that were supposed to have been installed permanently.

It is sometimes claimed that under a Closed Shop agreement, union executives can maintain factory discipline, restrain over-zealous local leaders, oust racketeers, and prevent wildcat strikes. Yet most of this very kind of turmoil has broken out in highly organized, or Closed Shop situations. . . .

EFFECTS OF THE CLOSED SHOP ON MANAGEMENT

One of the obvious dangers in the Closed Shop is that, under a secure monopoly of labor, union officers may become more powerful than the foreman in many aspects of shop operations. Workers are likely to hold their jobs and qualify for advancement through union regularity rather than the quality of their work. This transfer of responsibility has proved to be destructive of both workmanship and discipline. The danger is increased if, under the terms of the contract or the customs

of the industry, it is difficult or impossible to discharge a man without the consent of the union business agent.

Under a Closed Shop contract, a union can—and some of them do—set the maximum amount of work members may perform and impose other operating restrictions. Then there are numerous arbitrary requirements which limit the quantity of work or add to manufacturing cost. Deliberate restriction of production, even in normal circumstances, is wasteful, and attacks the interests of industry, employees and consumers. . . .

From the standpoint of economics and industrial efficiency, perhaps the chief argument against the Closed Shop is that it gives a union veto power over the labor policies of management. It forces the worker to place the interests of the employer who pays him below his allegiance to an external organization which has no financial investment in the business and no responsibility for the success of the enterprise.

Experience has shown that the Closed Shop places many vital phases of a company's business under the control of either a local union, a national or international federation of unions—and sometimes all of them combined. Under those circumstances, it would seem that management, stockholders, employees—and by all means the consumer who always pays the freight in the end—are entitled to know something about the constitution or governing rules under which this pyramided union power over the destiny of the company is exercised. Yet most unions refuse to reveal this information.

“. . . THE 'HITLER METHODS'”

This appraisal of the Closed Shop problem has not dwelt upon the corruption of some unions and their leaders. The newspaper files are crowded with such accounts.

The term "union rackets" is today a by-word in the English language.

This appraisal has been concerned rather with a principle. Coercion of employees by employers or any other agency would be as wrong in a good union as a bad one.

The President of the United States has stated that the Government will not force the Closed Shop upon American workmen. Said the President on November 14:

"I tell you frankly that the Government of the United States will not order, nor will Congress pass legislation ordering a so-called Closed Shop. The Government will never compel this five per cent (non-union coal miners) to join the union (United Mine Workers) by a Government decree. That would be too much like the Hitler methods toward labor."

If it is sound doctrine for Government to refuse to force men into unions, it is equally sound doctrine for employers.

The right of individual choice, individual freedom, and individual right to work must be preserved.

That is the American way.

PAUL H. DOUGLAS¹

A Possible Solution for the Issue of the Closed Shop

Paul H. Douglas (1892-) is a professor of industrial relations at the University of Chicago, whose works on wages and social security are basic sources in these fields. Unlike most aca-

¹ Paul H. Douglas, "A Possible Solution for the Issue of the Closed Shop," *Industrial Disputes and the Public Interest*, Proceedings of Annual Industrial Relations Conference, University of California Press, Berkeley, 1947, pp. 24-26.

demie people, he has run for office several times and been generally active in politics.

I should . . . like to make a suggestion which may possibly improve the situation. This is to take the issue of the closed shop out of the area of collective bargaining and make it (like the determination as to whether the workers want collective bargaining and if so, through whom) a condition antecedent to collective bargaining. Stated briefly, it consists in letting the workers themselves decide, in a free and fair election, whether or not they want the closed shop. I hasten to add that this suggestion is in no sense original with me. So far as I know, it was first advanced by Mr. Arthur S. Meyer, the experienced chairman of the New York State Board of Mediation, who deserves a great deal of credit for his informed ingenuity in this as in so many other matters.

There is sound precedent for this step in the development which the Wagner Act effected in the field of representation. Prior to that act, it was common practice for employers to refuse to bargain collectively with those who claimed to represent their workers on the ground: (1) that the employees did not really desire to bargain collectively, and (2) that in any event, the workers did not desire the particular union concerned or its representatives to act for them. Such, for example, was the attitude taken by Judge Gary of the U. S. Steel Corporation and by other leading steel companies during the big organizing campaign in steel in 1919.

Now, the tragedy of the situation prior to the passage of the National Labor Relations Act was that there was no mutually acceptable way of determining what the workers really wanted. It was always possible for employers to discount the fact of workers signing applications for union membership by either questioning these

signatures or by claiming that they were obtained under duress and did not represent the real desires of the workers. In some cases, this was true, but even when it was false, there was no way of proving that this was so.

The result was that commonly the issue as to whether the workers wanted to bargain collectively through given representatives could only be determined by a strike. This not only interrupted production and bred ill will, but it was no sure test as to what the workers wanted. For the results were determined by the comparative strength of the contestants rather than by the real desires of the employees. The strike was indeed a no more effective method of determining these facts than was trial by combat a way of rendering individual justice in feudal times or war a means of deciding equitably between nations.

Now, while there are incompletenesses in the Wagner Act and doubtless some abuses in its administration, I submit that it was a mighty step forward when it made the issue of whether or not the workers desired collective bargaining a matter of ascertainable fact rather than one of negotiation by the interested parties or a matter of combat. It provided instead that when the issue was in doubt, the workers themselves should vote on what they wanted in fair and impartially supervised elections. And while the Labor Relations Board has been bitterly attacked by employers on many grounds, I have never known it to be criticized for the way in which it has conducted these elections. Whatever other changes may be made in the act, I do not believe that this feature will be abolished, unless a tidal wave of blind reaction should sweep over our country.

I should like to ask why the same procedure should not be applied to the issue of the closed shop. Instead of letting it

be decided by an economic combat, why should it not be decided instead by referendum? Then when the parties sit down to negotiate the terms of a collective agreement, they can confine themselves to questions of wages, hours and working conditions without having the situation muddled by the issue of the closed shop. There may be vital defects in this plan, but I confess that up to date it seems to me to be essentially sound.

CLINTON S. GOLDEN
and HAROLD J. RUTTENBERG¹

The Union Shop Is Democratic and Necessary

The doctrine of the right to work, as preached by management, is either a clever piece of propaganda or a dastardly distortion of economic fact and democratic principles, depending upon one's viewpoint. . . . As Darrow declared years earlier, the only right workers have is "the right to go from employer to employer in search of work." Their use of this false doctrine is ironic and, of course, insincere.

It is insincere because it implies that management is a champion of the individual rights of workers when, of course, it has not only ignored but denied these rights. . . . The insincerity of this position is obvious upon an examination of the right which management professes to protect—the right to work. It is a fabri-

¹ Clinton S. Golden and Harold J. Ruttenberg, *The Dynamics of Industrial Democracy*, copyright 1942 by Harper & Brothers, New York and London, and used with their permission, pp. 193-94, 198-200, 203-05, 210-13, 216-18, 220-24, 227-29.

cation and a sham. The only right workers had before the rise of the CIO in the mass-production industries was the right to seek a job, and, as Darrow observed, this right could be denied "upon any reason or pretext no matter what." . . .

Step by step organized labor has given substance to the right to work; but it has not established it as a pure right, because in modern economic society it is always conditioned upon an employer providing work. Consequently, compulsory union membership does not deny workers their "inalienable right to work"—because they enjoy no such right and, therefore, cannot be denied something that they already do not possess. . . .

Management's policy is that all firms must resist the union shop together or each firm will have to concede it individually. This is a pure and simple policy of self-defense. . . . Yet in exercising this right of self-preservation the leaders of industry attempt to deny the selfsame right to organized labor. Certainly if it is proper—and we believe it is—for industry to coerce its fellows to conform to its accepted policies, then it is right for organized labor to engage in equally vital acts of self-preservation.

The self-defense policy of union workers is, "If we don't hang together, we will each hang separately." As management finds it essential to self-defense to "coerce" those who may stray from an antiunion-shop policy, so, likewise, do union workers find it essential to self-defense to "coerce" nonunion workers into the union fold. . . .

But there is a significant difference in the way in which management and union members exercise their respective policies of self-defense. A small minority of industrial leaders—only a very small percentage of the manufacturing establishments in America, for instance, belong to the National Association of Manufacturers—for-

mulate the basic policies affecting union-management relations, and "coerce" the vast majority of industrial firms to abide by them. Union members, on the other hand, exercise their self-defense policies within the framework of democratic principles. They do not seek to "coerce" with the penalty of discharge any worker into union membership in a given bargaining unit until a majority of eligible workers have voluntarily become union members. Then a majority—in accordance with the democratic principle of majority rule—seek the right through the union shop to "coerce" a minority of their fellow workers into union membership at the penalty of discharge.

The philosophy of the union shop, therefore, is rooted in the basic democratic principle that governs our political life; namely, the rule of the majority. The only thing that is revolutionary—to management—about the underlying principle of the union shop is that it should be fully accepted in our industrial and economic life as well as our political life. . . .

UNION SHOP AND DEMOCRACY

Management generally cannot contend—with either logic or justice—that it is unfair, un-American, or nondemocratic to abridge an individual employee's "right" to be nonunion in a given bargaining unit where a majority of the employees are union members. The general welfare of a majority of employees requires one hundred percent union membership, because their welfare is dependent upon the strength of the union. And the union's strength is determined by the all-inclusiveness of its membership. Union workers look upon the nonunion worker, as Darrow so clearly says, "as one who . . . refuses to stand with them . . . as a man who seeks to undermine and destroy his fellow workman. This is not a fact in trade unionism; it is a fact in human

nature, and is as deep as the right of self-defense. For in the last analysis, it is self-defense." The union shop, therefore, is demanded by organized labor not alone on democratic principles but to promote the general welfare of its members. . . .

Republicans do not have to join the Democratic party, or vice versa, when it becomes the majority party in Congress. Within each Congressional district, to be sure, the minority voters are unrepresented in Congress; the victorious Congressman represents all the voters in his district. But the minority are thus not denied a voice in Congress. From at least some of the Congressional districts, Congressmen are elected who represent the views of the defeated minority voters in a majority of the districts. Consequently the minority within each district can express its views and exert its influence through its party's Congressmen, even though they may not come from its particular district. The opposite is the case in industry.

It is practical for only one union to represent any given group of workers. The minority nonmembers cannot express their views or exert their influence through another union, because neither the law nor management recognizes a minority union. All workers in a given unit have to be represented by one bargaining agency. Thus the only way the minority workers can express their views and exert their influence is through union membership. They are bound by the action of the majority in any event, and to have a voice in making the decisions of the majority the minority or nonunion workers have to join the union. In cases where SWOC local unions lose an election conducted by the National Labor Relations Board, we usually advise our members to join the victorious union to protect their interests. This does not necessarily deny them their particular views which led them originally to choose SWOC in preference to the

victorious union. Within its councils they can express their views and, as frequently happens, after an interval of time they persuade a majority of their fellow unionists to change their local union affiliation to SWOC. But to secure a voice in industry the minority must join the majority union. Membership in the union as a condition of employment, therefore, is an essential requirement of industrial democracy in order to assure all workers a voice in the determination of their conditions of employment.

Police powers or disciplinary powers are vested in the union in direct proportion with the amount of responsibilities it assumes. The union assumes the responsibility to see that no stoppages of work occur, that all workers adhere to the contract machinery to settle grievances peacefully, and that wages and other vital cost factors are pegged generally for the life of the contract. To fulfill these responsibilities the union must have sufficient authority to discipline those workers who, for example, may stop work in violation of the contract. Because supreme power is divided between management and the union, the majority-rule principle operates differently from the way it does in a political democracy—where supreme power is vested in one agency, the government. Here, if the Republicans are elected, Democrats do not have to join the Republican party, because the state or government has the supreme power to enforce the laws passed by the Republicans. But it is necessary for the minority nonmembers to join the union or else the majority, through the union, lacks the power to see that the minority abides by the rules. . . .

Lastly, it is a basic principle of industrial democracy that those who share its benefits must assume the responsibility of securing them. This principle has its counterpart in a political democracy; namely, those who enjoy its freedom must assume

the responsibilities of it. The city taxpayer, for instance, who votes against the victorious candidate for mayor, whose program advocates increased taxes to build a new city hospital, must pay the additional taxes to erect the hospital. Failure on his part to pay such taxes, if persisted in, results in the recalcitrant taxpayer losing his property. . . . All the workers in a given unit derive equal benefits from the union and, therefore, they should all share equally in paying the cost of its upkeep. This is possible only through union membership, because the union cannot collect dues from workers for whom it bargains but who, in turn, are not members of it. Union members also, on occasion, have to strike to win gains. This often means that the union has to assess its members to win the strike. The benefits of the victory are shared in equally by the minority nonmembers. Consequently, it is a requirement of industrial democracy that all of its beneficiaries assume their share of the burdens. . . .

UNION SHOP AND COERCION

This leaves one remaining principal objection to the union shop, that it constitutes "coercion" in some form. One of the authors spoke on this subject in New York City in 1939 before an audience of more than a hundred management executives. An hour question period followed the initial talk in which every conceivable objection to the union shop was thrown at the speaker for reply. One by one he answered them. Finally a persistent questioner took the tense and provoked audience by storm. He calmly asked, "Granted all you say is correct, and certainly nobody in this room has successfully challenged your arguments for the union shop, but isn't it coercion to force a worker to join the union?" The audience bellowed, obviously relieved that, at last, the whole fabric

of reasoning in support of the union shop had been shattered. But its relief was short-lived. The speaker simply replied, "Of course, it's coercion. That's what all the argument is about: the right to force someone to do something against his will. But this is not a legitimate objection to the union shop, as coercion is the fundamental basis of organized society. In fact, civilization can be said to have attained maturity when men became intelligent enough to order their affairs and compel the recalcitrant man, the ignorant man, to submit to certain compulsory rules for the common good of all men. I cannot drive through a red light, although I have enough good sense not to drive carelessly through an intersection; but, because other men lack such sense, for the common good I am coerced into stopping for a red light, although no cars may be coming from the opposite direction. The essential difference between a democracy and, say, Hitler's government is that in the former a majority do the coercing, or if the action is unanimous it is self-imposed; while under Hitler the minority is doing the coercing, and though an action may be generally approved by the people it is forced on them from the top." . . .

Throughout this discussion the shortcomings of collective bargaining have been readily apparent, but, as we have pointed out consistently, these shortcomings are not so much those of collective bargaining itself as those of collective bargaining with unions whose members or potential members enjoy the anarchical freedom to join, withdraw, or refrain from joining the union as their fancy strikes them. In refusing to grant unions more than the barest minimum of recognition, management encourages the belief—which is widespread among union members in American industry—that it is still opposed to collective bargaining and unions

and is only waiting for an opportunity to cast both aside. This, in turn, perpetuates in office militant, uncompromising local union leaders. They make it all the more difficult for management to work out equitable seniority rules that have enough flexibility so as not to impede productive efficiency. They likewise make it almost impossible to handle grievances on their merits, which is such an essential of industrial peace. We have seen how union grievance committeemen, operating under a voluntary union-membership contract, are under constant pressure to consider factors other than the merits of grievances. It has also been obvious that management can hardly work out with a union whose membership is purely voluntary the difficult problems of inequities in its wage structures.

The shortcomings of collective bargaining that have been apparent throughout this discussion are most undesirable, but under a limited form of union recognition they are almost inevitable. It is as if taxpayers had the privilege of ceasing to pay taxes if Congress does not pass a particular bill in which they are interested. Management's policy, "It's up to the union to sell itself to all of the employees," has cost industry millions of dollars and workers and owners untold amounts in industrial turmoil. Wages, seniority, and the other problems of union-management relations can be handled much more efficiently and equitably under the union-shop form of recognition. . . .

UNION SHOP AND COOPERATION

We testify personally that the denial to unions of the union shop limits their scope of activities, restricts the assumption of certain industrial responsibilities, and circumscribes the constructive possibilities of collective bargaining. The outlook of management, its purposes and motives, are

judged by unions primarily upon management's attitude on the union shop. We cannot afford to trust implicitly a management that adamantly refuses to concede the union shop after our local union (or unions) in its plant (or plants) has enrolled a majority of eligible workers on a voluntary basis. Nor can other labor leaders, except at the peril of their union's life. A management that withholds from the union full and complete recognition puts the latter on the defensive, compels it constantly to be prepared for an eventual strike for its very existence.

Nothing short of the union shop can take the union off the defensive, and this does not do it automatically or immediately. Organized labor, from the viewpoint of its own security, cannot disarm emotionally and psychologically in a struggle for its existence until management, by word and concrete action, views the union as a permanent and constructive part of the business enterprise. . . .

After management has granted the union shop, the responsibility is largely with the leaders of organized labor as to whether union-management relations continue along essentially negative lines or blossom out into cooperative and constructive undertakings. In the long run the dynamics of the basic and mass-production industries force out the militant and uncompromising union leader and replace him with a constructive one once the union-shop principle has been made a permanent feature of collective bargaining. But meanwhile there is a large gap that can be filled only by the courageous leadership of the top officials of organized labor. It is their job to show their subordinates and members that the union shop is a device to engender respect and confidence, not hate and intolerance; that the defensive approach to industrial problems is no longer adequate; and that the

requirements of union members and officers run beyond the elementary tasks of protecting seniority rights, adjusting wages, and improving working conditions.

The national officers of the Steel Workers Organizing Committee, along with a dozen-odd other international unions of an industrial-union character, have made this job an integral part of their program. The union shop is no panacea for the problems incident to industrial peace, productive efficiency, full employment and production; rather, it is a prerequisite to the attainment of these goals. Without the union shop we cannot, nor can labor leaders generally, guide union members toward participation in achieving greater productivity, full employment and production. That labor leaders in particular cases have not done this is not an argument against the union shop but a reflection upon the caliber of top union leadership.

Collective bargaining eventually reaches a point of economic saturation, more quickly, of course, in marginal and high-cost firms or in firms that have not yet been affected by the newer technologies of production. At this point the union has but two alternatives. One is to continue to fight with management over the distribution of current earnings. The other is to cooperate with management in increasing production so that there will be larger earnings to be distributed to all persons dependent upon the enterprise for a livelihood. Without the union shop the latter alternative is closed to a union. Inadequate leadership may postpone the adoption of the latter alternative after the union shop has been made a basic part of the union-management relationship, but the dynamics of the basic and mass-production industries, the pressure of economic and other factors, will in the course of time lead the union to the adoption of a cooperative policy.

FRANK P. GRAHAM¹

Maintenance of Membership

Frank P. Graham (1886-) is president of the University of North Carolina and former Public Member of the National War Labor Board.

The opinion in the Harvill case set forth three principles which in express language were acknowledged as Board policy by the concurrence of seven members of the Board: (1) that the government will not compel a worker to join a union in order to get a job; (2) that the government will not use its sanctions to establish or disestablish the union shop; and (3) that the Board's standard answer to a union struggling for the union shop is the provision for maintenance of membership. Just as it is Board policy, by provision for the continuance of the established union shop, to keep the union stabilized in an area already stabilized, so it is Board policy, by provision for the maintenance of membership, to stabilize the union in an area of struggle.

Spokesmen for the unions, on their part, contended that the union shop was the most democratic and fair basis for union-company cooperation because all workers were included in the union, all shared the cost of the common benefits, and all could participate in the common affairs of the union; and was most responsible because every worker was subject to the discipline of the union in its joint responsibility for the maintenance of the contract and the

¹ Frank P. Graham, *Opinion*, National War Labor Board Case No. 111-1819-D (8-D-67) (Humble Oil Refining Company, Ingleside, Texas; and Oil Workers International Union, Local 316, CIO), April 1, 1944.

maintenance of production. Spokesmen for the companies, in return, contended that the open shop was most in line with the American traditions of liberty because the individual worker was free to join or not to join, to stay in or get out of a union; and because management, untrammelled by union procedure, had the freedom to hire, fire and direct the working force, and had, by this free enterprise, made America the greatest industrial nation.

The Ryan Aeronautical opinion, which traced the origin and explained the basis of governmental sanction of this provision as a defense measure, contains the following summary of the Snoqualmie Falls case, certified April 1, 1941, the first case

involving this provision to come before the National Defense Mediation Board:

"The settlement agreed upon rejected the union shop, expressly protected the right of management to hire and fire, required neither old employees nor new employees to join the union, but provided simply that those who were members or who should become members should, as a condition of employment, remain members in good standing for the life of the contract. By this provision, first for a voluntary membership, and second for the maintenance of this membership for the remainder of the contract, substantial freedom was protected and substantial security guaranteed."

OTHER ISSUES

JESSE FREIDIN¹

Proprietorship of Grievances

Jesse Freidin (1909-) was formerly General Counsel and Public Member of the National War Labor Board.

In their negotiations for an initial contract, following the certification of the union by the National Labor Relations Board, the parties have agreed upon a grievance procedure, culminating in arbitration, that is to be included in their contract. The procedure recognizes the right of individual employees to present their grievances either directly or through

the shop steward or committeeman and then provides for the presence and participation by an appropriate union representative in the final adjustment of the grievance. The parties are in disagreement as to whether this contract grievance procedure shall govern the handling of all grievances, regardless of their manner or presentation, or whether concurrently with the procedure specified in the contract the company is to maintain a separate procedure, established in 1943 prior to the union's certification, for the handling of grievances presented directly by individual employees. Under this separate procedure, grievances would be negotiated or settled without participation by the union.

ESTABLISHED INDUSTRIAL PRACTICE

In providing for a grievance procedure which, while preserving to the individual employees the right to present grievances directly, calls for notification to the union and a right on its part to negotiate settle-

¹ Jesse Freidin, *Opinion*, National War Labor Board Case No. 111-9715-D (Douglas Aircraft Company, Long Beach, California; and United Auto Workers, CIO, Local 148), May 17, 1945.

ment of the grievance, the Board has followed a sound industrial relations practice deemed by it to be fair and equitable under the circumstances of this case. . . .

The company did not argue before us that the dual grievance procedure which it proposed was a preferable industrial relations practice. Nor, in the light of our consistent experience and the extent of the contrary practice in the industry, could such an agreement have been successfully advanced. In our view, few arrangements could be more disruptive of plant relations and effective grievance adjustment than the maintenance of dual procedures for the disposition of grievances. Under such a system the interpretation and application of the agreement consistently and with equality to all employees would be most difficult. An individual employee might be willing to accept an interpretation of the agreement, or its application to an unanticipated situation, that would be wholly unacceptable to the union as representative of all employees and completely out of keeping with the intention of the parties when they negotiated the contract. Such a settlement might be consented to because of its immediate advantage to the individual employee presenting the grievance but without regard to its long-run effect on the employees as a whole. On the other hand, the employee might acquiesce in the rejection of a grievance which might be of basic importance to other employees and which the union, with its broader duties and perspective, might have carried to higher stages of the procedure and ultimately to arbitration. Conversely, a litigious employee might insist on carrying to arbitration a grievance which the union would have initially recognized as trivial or as to which it would have been prepared to accept the company's disposition at some earlier step in the procedure. Inconsistent

interpretations of the agreement would be bound to result.

The dual procedure has another disadvantage in the opportunity it presents to dissident groups of employees to press aggressively all manner of grievances, regardless of their merit, in an effort to squeeze the last drop of competitive advantage out of each grievance and to use the settlement even of the most trivial grievances as a vehicle to build up their own prestige. Imaginary grievances could be conjured up and others which, under ordinary circumstances, would be dropped at the first step could be magnified out of all proportion to their importance. The settlement of grievances could become the source of friction and competition and a means of creating and perpetuating employee dissatisfaction instead of a method of eliminating it.

It is true that the union settlement of a grievance presented directly by an employee may not be as advantageous to him as he would want or even as he might be able to obtain. But providing only the union has not acted in bad faith, such a result is an integral part of any system of majority rule and is no justification for subverting the collective bargaining process. Referring to a similar problem in *J. I. Case v. NLRB* [321 U.S. 332 (1944)], the Supreme Court said:

" . . . Advantages to individuals may prove as disruptive to industrial peace as disadvantages. They are a fruitful way of interfering with organization and choice of representatives; increased compensation, if individually deserved, is often earned at the cost of breaking down some other standard thought to be for the welfare of the group and always creates the suspicion of being paid at the long-range expense of the group as a whole. . . . We cannot except individual contracts generally from

the operation of collective ones because some may be more individually advantageous."

JOHN R. COMMONS¹

Jurisdictional Disputes

John R. Commons was the outstanding pioneer American labor economist whose direction of the collection and editing of basic documentary evidence on the development of American labor organizations and the subsequent history of American labor have provided students with the primary sources in this field.

Consider, what do we mean by "jurisdiction"? It is some kind of collective action whereby rules and regulations are imposed on individuals for the purpose of standardizing or stabilizing their transactions with each other. This means some kind of authority which decides disputes between individuals by interpreting old rules or devising new rules; and it means some kind of penalty or sanction imposed on individuals for violation of the rules. The extremest penalty or sanction is the physical punishment imposed by political government. But there are also the economic penalties or sanctions of loss of wages, or loss of profits, imposed by modern economic governments. And if the economic government is not strongly organized, there is still the moral sanction of the good or bad opinion of those on whom the individual depends for his liv-

ing or profits. This moral sanction is named by the socialists "class consciousness." Jurisdiction is therefore collective action stabilizing the conduct of individuals by the sanctions of physical, economic, or moral force.

What, then, is a jurisdictional dispute, either of capitalism or laborism? It is a contest between organized concerns to extend control over individuals, in order to restrain their individualistic self-interest for some purpose deemed to be common to all individuals who are members or participants in the concern. It ends either in destruction of the weaker jurisdiction, or in a super-jurisdiction that lays down rules for the previously conflicting jurisdictions. We are accustomed, in our economic theory that comes from Smith and Bentham, to look upon political government as the only instrument which restrains the individualism of free competition, but the past forty years have seen the rise of economic governments, all the way from those of farmers, laborers, manufacturers, and merchants, up to the recent "live-and-let-live" or "follow-your-leader" capitalism, and culminating in the concerted action of bankers through the Federal Reserve system. These economic governments are often even more powerful than political governments, or rather, one of the characteristics of their jurisdictional disputes is their effort to obtain control of political governments in order to strengthen their side of the dispute with other economic governments.

SCARCITY AND UNEQUAL ORGANIZATION

¹ Reprinted by permission of the publishers from John R. Commons in *Wertheim Lectures on Industrial Relations*, by Otto S. Beyer, Jr., Joseph H. Willits, John P. Frey, William M. Leiserson, John R. Commons, Elton Mayo, Frank W. Taussig, Cambridge, Mass.: Harvard University Press, 1929, pp. 93-98.

There are two primary circumstances out of which jurisdictional disputes arise. On the one side is the scarcity of jobs for laborers or the scarcity of profitable markets for capitalists. On the other side is the unequal and incomplete advance of some organizations of capital or labor beyond other organizations, or beyond the

unorganized, towards obtaining economic or political control over the transactions of individuals. In the case of labor unions we call this control, "shop rules." In the case of capitalistic associations we call it "fair competition" or "business ethics," or "the new competition." But organized labor's "shop rules" are labor's idea of ethics and fair competition. The corresponding equivalent of labor's shop rules for capitalistic organization has, as yet, no accepted name, but we may designate it as the "working rules" of capitalism, just as shop rules are the "working rules" of laborism. In both cases they are the rules of action which capitalists and laborers collectively adopt for the purpose of placing restraint upon individual self-interest. Jurisdictional disputes are always disputes for the purpose of getting power to make and enforce working rules. The purpose is the ethical purpose of regulating the economic transactions of individuals in the direction of what is deemed to be a common interest of those who make the rules.

If we make a list of labor's shop rules we can see their ethical purpose. The purpose of shop rules is to obtain, for individual members of the union, greater security, greater liberty, or greater equality within the limited number of jobs available. This means restraint upon the common-law rights of employers to manage their property as they see fit. Thus the shop rules cover such matters as "hiring and firing," transfers, promotions, seniority, the introduction of machinery and other technological improvements, methods of computing wages, the speed at which laborers are required to work, rules regulating overtime and the number of hours per day, rules sharing the work during periods of slack employment, rules regulating the order in which men shall be laid off and taken on, rules regulating preference for union members, "closed

shop" rules, rules against discrimination and against "victimization" of union leaders and labor "agitators."

These shop rules can, in general, be summed up as restraints upon the freedom of action of the foremen and management of the shop. An immediate effect, during the period of unequal advance of labor organizations, is restriction of output, but this economic effect is incidental to the ethical purpose of restricting the liberty of the management in its control over what are believed to be the limited number of jobs disposable in the shop and in competing shops.

If scarcity of jobs is one of the circumstances out of which jurisdictional disputes arise, then it might perhaps be inferred that if there could be established a general scheme of steady employment for all workers, jurisdictional strikes could be reduced, perhaps eliminated. But, besides the impracticability of steady jobs for all, there is the other reason for jurisdictional strikes—these same preferential shop rules by means of which the better-organized mechanics obtain higher wages, shorter hours, and slower speed than the unorganized or poorly organized. There is no jurisdictional dispute or strike to get control of low-wage, long-hour, and high-speed jobs.

It might, again, here be inferred that if all jobs were reduced equally to the level of the low-wage, long-hour, and high-speed jobs, then jurisdictional strikes might be reduced or eliminated. But here we come back to the other consideration—steady employment is even more important for labor than higher wages per hour, or less hours per day, or slower speed. Hence we get back to our starting point. Jurisdictional disputes, for labor, are always disputes for the purpose of getting power to make shop rules restricting the liberty of their own members, of

non-members, and of the employers. They arise out of two circumstances, the higher wages, shorter hours, slower speed, and stricter shop rules obtained by the better organized groups of laborers, and the scarcity of all kinds of jobs within the shop or industry.

The sequence of disputes in a business cycle supports these conclusions. Since in the modern business cycle there is an oscillation of abundance of jobs when profits and wages are rising, and a scarcity of jobs when profits and wages are falling, we shall find in the progress of a business cycle these two causes, high wages and unemployment, operating more or less distinctly in sequence. The statistics of strikes, indeed, do not give us anything reliable as to the causes of strikes, so that we cannot distinguish jurisdictional from other strikes. But a study of contemporaneous accounts as far back as 1835 indicates the following as the usual sequence of disputes and strikes. The first strikes during the rising period of a business cycle are strikes for shorter hours of labor. These occur when, with the increasing abundance of jobs, most of the unemployed laborers of the preceding depression have found work; and, owing to the scarcity of labor, the employers have begun to increase the amount of overtime wherever there is no effective standard enforced for the number of hours per day. The effort of laborers then is to reduce the preceding speed of work and to get leisure for enjoyment of the increased earnings. Next, as the peak of the cycle approaches and the cost of living rises, the strikes are for higher wages per hour. Then, as jobs begin to slow up, the jurisdictional disputes and strikes begin to appear as the culmination of high wages per hour and overlapping organization of competing unions. This also is the sign of dissolution of the unions, betokened next by their

inability to win strikes of any kind on a falling market and increasing unemployment. While statistics of strikes cannot be expected to support this statement of sequence, yet contemporaneous accounts of disputes and strikes do support it. Jurisdictional disputes have their source in the rise of competing organizations that make shop rules for the regulation of the better jobs, which are scarce.

WALTER GALENSON¹

Rival Union Tactics

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There are three possible solutions to active conflict between trade unions. In the first place, one of the combatants may be destroyed and its partisans reduced to the status of non-union workers. Since this may prove dangerous to the victor by making available to employers a potential reservoir of strike-breakers, absorption and merger have generally been the preferred methods of stifling rivalry. Less frequently, particularly in more recent times, competing unions have been able to agree upon some *modus vivendi*, short of outright amalgamation, that would enable them to co-exist harmoniously.

A common prelude to these eventualities is a period of bitter warfare, waged by all available means. Every labor organization has at its disposal certain basic weapons of attack and defense that it may employ under these circumstances. Nationally affiliated unions are advantageously situated in that the combined re-

¹Walter Galenson, *Rival Unionism in the United States*, American Council on Public Affairs, New York, 1940, pp. 40-52.

sources of the larger aggregation may be summoned when the need arises. Finally, important unilateral aid may be rendered by employers, if they are so disposed.

WEAPONS AVAILABLE TO ALL UNIONS

(1) One of the malodorous aspects of American labor history has been the alacrity with which labor unions have supplied "scabs" in strikes called by rivals. This practice, repugnant to the most elementary concept of working class solidarity, has been justified by the more articulate practitioners on the ground that the rival's destruction would eventually redound to the benefit of all by giving the survivor effective monopoly control over the labor supply, thus enabling it to ensure progressive increases in wage and hour standards. The political character of opponents, and their alleged anti-social aims, often provide additional justification. The American Federation of Labor had no qualms when it came to breaking IWW and TUUL strikes, but similar methods have been used against non-revolutionaries and seceders. Radical unions have been charged with the use of the same tactics against those whom they considered class enemies. Even the staid railroad brotherhoods have more than once resorted to this procedure. . . .

(2) Not infrequently, labor unions strike to force the discharge of rival unionists. The effective use of this weapon is contingent upon the ability to impede operations seriously, and is exceedingly dangerous if the rival is able to maintain production. . . .

(3) Violence is an all too frequent adjunct of interunion strife. The bloody warfare between the rival fur workers in New York, and the UMWA-PMA fracas in Illinois are examples. More recently, headlines like the following have been appearing in the press fairly regularly:

SHOTS FROM CIO OFFICE WOUND 9 OF RIVAL UNION

SHOOTING AT GALENA, KAN., CLIMAXES DAY
OF ATTACKS ON LEWIS'S LEAD MINE
FOLLOWERS AND WRECKING OF
TWO OF THEIR BASES

7 HURT IN CIO-AFL RIOT OVER WHICH SHALL PICKET PLANT

ACTORS RETALIATE ON FILM PICKETS

WARN OF "WRECK-CREW" TO DRIVE
AWAY FROM STUDIO STRIKERS
WHO MOLEST THEM

LEWIS MEN REPEL AFL WORKERS

ATTEMPT TO REOPEN MILL AT AMBRIDGE, PA.
FAILS AS HUNDREDS DEFEND GATES. TEAR
GAS ENDS FIGHT. TWENTY ARE
BEATEN, ANOTHER IS STABBED

FOUR HURT IN FREE-FOR-ALL OF RIVAL UNIONS

RIVAL UNION GROUPS RIOT

AFL WOMEN WORKERS PIERCE CIO
PICKET LINE IN OHIO

(4) Attempting to discredit a rival by the application of allegedly opprobrious names is another oft-employed stratagem. The opponent may be labeled a "red," a "communist," or an "anarchist" union seeking to destroy American institutions, while the accuser holds itself out as a patriotic organization acting to preserve democracy. The United Mine Workers denounced the Progressive Miners Association as a group "started for the sole and only purpose of destroying the United Mine Workers of America and setting up a Communist organization in its place, with a view to starting an armed revolu-

tion to overthrow the government of the United States." In a letter to his staff, President Wharton of the International Association of Machinists expressed the belief that "employers have expressed a preference to deal with AFL organizations rather than Lewis, Hillman, Dubinsky, Howard and their gang of sluggers, communists, radicals, and soap-box artists, professional bums, expelled members of labor unions, outright scabs and the Jewish organizations with all their red affiliates." . . .

(5) Drastic concessions on wages and hours are often offered to employers in exchange for help against competing unions. "Thus, in the fur industry, the Fur Workers Industrial Union was accused by the AFL union of offering to renew an expiring contract in 1933 which provided for a 35 hour week, for a 40 hour week at the same wage rate in order to undermine the AFL union." . . .

When all else fails, bribery may prove a successful last resort. The organizer for the Empire State Motion Picture Operators Union was reputedly offered a down payment of \$50,000 in cash, and further instalments, by the rival Local 306 for help in breaking up the Empire Union. "A short time thereafter, two circuits controlling 33 theatres, at which Empire men were employed under contract, cancelled their contracts with Empire and discharged the Empire men. . . . Upon information and belief, one of the circuits was paid the sum of \$20,000 by Local 306 for cancelling its contract, while the other circuit was paid \$40,000 for doing likewise."

WEAPONS AVAILABLE THROUGH AFFILIATION WITH A NATIONAL ORGANIZATION

(1) The labor boycott, rarely effective if only local in scope, has been used

widely against rival unions. Back in 1891, the Convention of the American Federation of Labor resolved to boycott L. Lippman & Sons, who had favored Local Trade Assembly 231 of the Knights of Labor. The United Brotherhood of Carpenters is in a particularly strategic position to institute boycotts because of the wide dispersion of its membership. An early rival, the Amalgamated Wood Workers Union, was practically destroyed in this way. Several years ago it placed on the unfair list lumber produced by the International Woodworkers Association, a CIO affiliate, and enlisted the Teamsters union in support of the ban. In a letter to Attorney General Cummings, Senator Steiwer of Oregon asserted that as a result of the boycott fifty-three sawmills and logging companies were being blacklisted, that business agents of the Carpenters were canvassing retail dealers and supplying them with unfair lists; that cancellations of orders were numerous. Many mills were forced to close down altogether, and the loss was reported to have run into millions. The net result was that Oregon, theretofore one of the more liberal states from the point of view of labor legislation, adopted by referendum a severe anti-picketing measure.

(2) The increasing dependence of productive enterprise upon transport facilities makes it possible for the transport unions to establish virtual economic blockades through the withdrawal of their members. The International Brotherhood of Teamsters has employed this potent weapon against CIO rivals. In July 1937, the Joint Teamsters Council of Philadelphia declared a "general holiday" to protest an invasion of what it considered its jurisdiction by CIO bakery unions. Newspapers were suspended, food deliveries were temporarily stopped, and more serious conse-

quences might have followed had not a settlement been reached to the satisfaction of the Teamsters. Less successful was the attempt to wrest control of the Pacific Coast warehouse workers from the International Longshoremen's and Warehousemen's Union. All shipping from San Francisco and Oakland was tied up by the refusal of the Teamsters to haul merchandise, but the readiness of the CIO longshoremen to cross the picket line, plus the unwillingness of other groups of AFL men to join the blockade, forced its termination.

(3) The positive analogue of the boycott is the union label. If business men and the public can be induced to buy goods bearing the label of a particular union; rivals will find it more difficult to market their products. The Boot and Shoe Workers Union has always leaned heavily on this device. Both the AFL and the CIO have recently given evidence of an intent to popularize their respective labels.

(4) Sympathetic strikes may be called by federated bodies in support of the jurisdictional claims of constituents. This has been particularly prevalent in the building trades, where the close interrelation of numerous crafts necessitated concerted action against aggressors, and thus paved the way for united aggression.

(5) Of particular value to a hard pressed union is the protection afforded by a joint closed shop with a sister affiliate. The employer is thereby given the option of getting all or none of his labor from the federated bodies. From 1913 to 1928, the International Alliance of Theatrical Stage Employees had such a joint agreement with the American Federation of Musicians, but it was terminated because the discharge of union musicians attendant upon the introduction of talking pictures rendered the arrangement a burdensome liability to the former organization.

An entente of this nature is most effective in an industry in which several crafts are jointly employed in a single process.

(6) The American Federation of Labor has been able to exert a great deal of pressure upon recalcitrant rivals through city and state federations. There are indubitable advantages, from the point of view of both prestige and finance, connected with membership in local central bodies. For instance, the Seattle Labor Temple Association was ordered to cease renting offices and meeting halls to an unaffiliated ironworkers union, depriving the latter of the opportunity to secure necessary facilities at cheap rentals. When a local is suspended or expelled, its membership in central bodies is generally cancelled. This was the fate of the CIO unions, but they have been strong and numerous enough to form their own federations in many localities.

EMPLOYER ASSISTANCE

Aid from employers is always an important and serious matter. In the CIO-AFL struggle, the latter appears to have the incalculable advantage of being favored by most business men. Concrete help may be rendered in a variety of ways, many of which have been outlawed by the National Labor Relations Act. Wage increases granted through the favored organization or evidence of a greater readiness to adjust grievances with it, may add to the discomfort of its rival. The National Labor Relations Board condemns many similar practices, including the "refusal to allow solicitation of membership by one union on board . . . ships, while permitting a rival union to do so"; solicitation on behalf of one union by company officials and foremen; the distribution of membership cards; the discharge of employees for failure to join the favored organ-

ization; the grant of the closed shop in clearly discriminatory circumstances; and the furnishing of facilities, such as bulletin boards, mimeograph machines, stenographic services, and office space, to one union but not to its competitor. Even expressions of opinion by employers might, under some circumstances, permit them "full freedom to wage a full-fledged electioneering campaign on behalf of the union . . . favored." This list could be extended indefinitely with illustrations drawn from the Board's experience.

The ultimate purpose of the various practices outlined is to destroy the rival against which they are employed. There have been numerous instances in the past, however, of mutual respect and toleration exercised by rival unions, based either upon unwritten understanding or definite agreement. The former arrangement was not uncommon where labor unions were confined to restricted territorial jurisdictions and made no attempt to expand their boundaries. For many years the Allied Shoe Workers, the United Shoe Workers and the Shoe Workers Protective Union shared the North Shore of Massachusetts between them harmoniously, while the Boot and Shoe Workers Union confined its efforts chiefly to the South Shore. The line of demarcation may be merely conventional rather than territorial, the rival teamsters unions in Chicago and bakery workers in New York affording good illustrations of this practice.

Saposs found that "it is only infrequently that rival unions come into serious conflict in the same jurisdiction. . . . While from time to time warfare breaks out, yet if both unions are strong, neither dares risk a decisive battle; skirmishes go on along the frontiers of control afforded by the vast area which is totally unorganized." This statement certainly requires

modification in the light of contemporary events. The willingness of unions to temporize has to a large extent vanished, and been replaced by "bitter and destructive conflict." Where forbearance might have been extended to small independents which could reasonably be expected to last but a short time, no quarter can be extended to affiliates of a large rival federation offering a serious challenge to the very existence of its opponents. The great increase in the number of unionized workers, and the consequent limitation of the frontiers of new organizational endeavor, further serve to accentuate the conflict.

Jurisdictional allocation by definite agreement has been practiced, although infrequently. The United Brotherhood of Carpenters, in the early days of its campaign against the Amalgamated Society of Carpenters, compromised a dispute in the New York market by entering into an arrangement permitting members of both organizations to work on the same job.

Mutual recognition and interchange of working cards are another method of effecting a similar result. Stockton cites this arrangement as having prevailed for a limited time between the United Garment Workers and the Shirt, Waist and Laundry Workers, and between the Brotherhood of Carpenters and the Amalgamated Carpenters. In rare instances, workers in a disputed trade have been required to join two unions.

There seems little chance that any of these palliatives will be applied in the near future. It is unlikely that complete destruction of either the AFL or the CIO will occur, but unless strong pressure from the national administration can effect a thoroughgoing settlement, the probabilities are that there will be a long war of attrition characterized by grudging respect for the enemy's strongholds and frequent raids upon his outposts.

LLOYD H. FISHER¹

The Price of Union Responsibility

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As trade unions grow in strength and become securely established in the economic life of the nation, their roles may undergo a substantial change. Arising out of deeply felt grievances and propelled by a widespread sense of injustice and insecurity, the original organizing impulse of most unions was one of protest. But as the trade union redresses injustice, improves wages, grows in its control of job opportunities and generally develops an area of sovereignty which is the fundamental quest of the modern trade union movement in America, its original motivations are frequently attenuated, its broad objectives narrowed, its passion for social justice calmed. The trade union acquires valuable contracts, treasuries, an apparatus, an officialdom. It has its own laws in the form of a constitution, a grant of territory from its central body, its internal courts, its legislative and executive functions. From the employers with whom it contracts, an area of economic control has been wrested. It develops long term outlooks and a sense of prudence. In short, it has been transformed from a protest organization to a business organization enjoying a substantial degree of political and economic autonomy. It is no longer totally dependent upon what it can wrest from the employers. It has resources and enterprises of its own. It is this process

¹ Lloyd H. Fisher, *Proceedings*, National Conference of Social Work, Columbia University Press, New York, 1947. A paper delivered at the National Conference of Social Work meeting in San Francisco.

which has been referred to in European literature as the *embourgeoisement* of the trade union movement.

Characteristically, it is in this phase of their development that trade unions are at their most responsible, when contracts are most likely to be held sacred, when the leadership is most likely to guarantee the performance of the membership. There is harmony between two business men executing a contract, and it is when the trade union leadership comes to approach the contract as a business man would that business dealings proceed best. The trade union secure in the hegemony over what it claims in jurisdiction, ordinarily unstinted recognition and job control, is most likely to develop the pattern of business responsibility.

Daniel J. Tobin, International President of the Teamsters, put the case well in an article appearing in the *International Teamster* of December, 1946. In explanation of action taken by the International to secure the expulsion of local leaders who had conducted a strike unauthorized by the International, Mr. Tobin said:

"This International Union has too much at stake to allow defiance of its laws and the laws and rules governing local unions and the contracts on which our honor is pledged, which we have with our employers—that is, our faithful promise to carry out those contracts as much as it is humanly possible during the life of the contract."

And further:

"This International Union with its 800,000 paid-up members, an organization which has a standing second to none in the labor movement, cannot afford to have its laws and rules set aside by impetuous or perhaps office-seeking individuals who are willing to risk the very foundation upon which our organization is founded

even to the extent of destroying our unions in their district, by their plotting or planning or lack of understanding and judgment, and in their desire and blinding ambition to become penny-ante leaders in their local unions."

And in a larger frame of reference, Mr. Dave Beck, Vice President of the Teamsters Union, and a principal figure in labor relations on the Pacific coast, takes a clear and unequivocal stand in defense of business ethics as the guiding philosophy of the American trade union. In an address delivered at Seattle on April 1, 1946, to representatives of the Teamsters Union Mr. Beck said:

"We must play our part in seeing that industry is profitable for it is only from profitable industry that we can assure progress."

Further:

"I cannot emphasize too strongly, in your behalf, that we are devoted to our American system of free enterprise."

and:

"Labor must receive its fair return as the partner of business. It is under these conditions that we stand for free enterprise and will oppose any form of collectivism, whether it be communism, or some other evil that develops from too great inroads by government into the rightful sphere of business. We also oppose the socialization of medicine.

"We want government to get out of business as rapidly as possible—and to stay out. Government must not compete with private business or industry. Several times in the past few years we have taken our stand beside private business, politically and otherwise, when we felt that government was encroaching dangerously upon free enterprise."

This is a position which intelligent American business leaders will weigh carefully. It is duplicated in the leadership of many trade unions today and is an explicit continuance of the point of view that Samuel Gompers gave to the labor movement in America. The question that arises and must be met by the business community revolves around a guess as to whether the labor movement, secure in an autonomous position with sovereignty over its own constituents, can better be fitted into the structure of a business community than the union whose sovereignty is bitterly contested within the plant, within the community and within the nation. . . .

In other fields of activity it is an axiom of management that responsibility must go hand in hand with authority. This is quite as true in industrial relations as elsewhere. If the object is responsible trade union action, the ends will not be served by an attack upon the institutional structure of unionism as the present legislative measures propose.

The true sources of conservatism, and therefore responsibility, spring from the institutional requirements of the trade union as a continuing political body rather than from the transitory and more or less accidental composition of its rank and file membership. To be responsible, therefore, the prime requirement is sovereignty sufficient for the political body to make its rules and to police its membership.

All political bodies are organized for internal control as well as external aggression. The trade union does not differ from other political bodies in this regard. It has its system of internal enforcement as well as its apparatus for external conflict. The means at the disposal of a well organized trade union for controlling its membership are at least as great as the facilities of the

unorganized employer for disciplining his employees.

The trade union, then, potentially is a means not only of representing the worker in industry but of guaranteeing his performance as well. As a sovereign power may guarantee the behavior of its nationals, so the sovereign trade union may pledge the performance of its members. The labor contract becomes the treaty defining the rights and duties of the signatories and becomes the obligation of each to enforce in its own domain.

In the search for industrial peace, there are two broad paths discernible and each has its peculiar liabilities. Along one path lies the curbing of the right of association. Senator Ball of Minnesota, in his measure to outlaw industry-wide bargaining, has endorsed this course and proclaimed it the only liberal alternative. The other is marked by the deliberate encouragement of association, the conscious use of balance of power as the strategy of industrial peace.

Which is chosen depends upon how high an evaluation is placed upon the costs of industrial peace. If industrial peace is the paramount objective, the warring parties can best make it. But obviously the ability to make peace is synonymous with the power to make it, and the power to make peace involves a status, a territory and a sovereignty that American labor has not yet attained and American industry has never been willing to concede. If there is to be a settlement, labor and management must be strong enough to propose terms and to accept them and having accepted them to enforce them upon their constituents. The alternative, if we are not to have nationalization of industry on the one hand or an utterly debilitated labor movement on the other, will be those hundreds of skirmishes, punctuated with occasional major encounters, which have

written the recent history of industrial relations in America.

THE POLITICAL VS. THE ECONOMIC SETTLEMENT

Public emphasis has commonly dwelt on the economic aspects of industrial disputes—on profits and the cost of living, on whether wage demands are fair or exorbitant, on maintenance of living standards and the like. These are the body of labor's demands, the current, continuous and public issues in the majority of controversies that meet the public eye. But these, although troublesome enough, are not the most difficult issues, nor are they in the long run the deep and fundamental sources of long continuing discord between management and unions. For these are also the arbitrable issues and the ones which increasingly are submitted to a third party for settlement when the principals fail to agree.

But there are, as well, a series of issues which neither management nor labor will submit to impartial determination, which in the long run are even more important to the building and maintenance of industrial peace. These are the issues of sovereignty. Just as a national state holds its sovereignty inviolable, so the great infra-states of Labor and Management hold certain territory inviolable. They will bargain over the terms upon which the employment relationship will be based and if necessary submit the differences to arbitration. But each reserves an area the propriety of which it will not refer to an outside party. These are the non-arbitrable issues of industrial relations, which since they are non-arbitrable must be resolved by mutual agreement or by warfare.

The specific issues which are non-arbitrable will vary somewhat from situation to situation but in the main the outlines are clear. For management, the reser-

vation, central and non-arbitrable, is the right of management to non-interference in the direction of the enterprise. For labor, the equivalent condition is a set of guarantees that the institutional security of the union will not be challenged. Management and labor will interpret the specific contract guarantees necessary to these ends differently in different plant or industrial situations. The island bases which labor may regard as necessary to the security of its mainland are often interpreted as bases for attack by management, and the reverse is as commonly true.

It will be evident that in general the arbitrable issues are those which are economic in character, concerned in the main with what the individual worker will earn at his job. The non-arbitrable issues are of a political character, concerned principally with management or the trade union as institutions and involving the definition of the inviolable territory of each.

The basic, long-term requirement for industrial peace is much more a political settlement than an economic settlement. No single point of the ten enunciated by the NAM in its program for industrial peace deals with wages. I have no intention of deprecating the importance of economic settlements. The failure to arrive at economic agreements will produce strikes as certainly as failures of political agreement. But peacemaking institutions are well developed for bringing about economic accords. The practice of private, voluntary arbitration has grown markedly in recent years and with substantial success and has excellent prospects of even greater development. None of the machinery for the development of national political agreements exists in America, and the first steps necessary to bring it into existence have been and are being bitterly opposed. . . .

The hallmark of a political settlement

wherever it has occurred is the development of strong employers' associations for industry-wide, market-wide, nation-wide and on occasion class-wide bargaining between management and labor. In England and Sweden organization has been met by counter-organization, federation of unions by equal federation of employers. Local bargaining has virtually disappeared, and interposed between the individual employer and his employees are authoritative bodies of employers and unions able to propose settlements and enforce them once made.

The simple significance of the British and Swedish experience is that Labor and Management have come to terms. These terms are not the wages, hours and working conditions of the steel industry or the boot and shoe industry, for these will be annually disputed. They are the more fundamental terms of political recognition, and only with political recognition can genuinely diplomatic negotiations take place. British and Swedish industry has long proclaimed its preference for dealing with strong national unions, for the British Tory and the Swedish Conservative know what many American industrialists do not—that the center of labor is conservative or can soon become so, and the militance and radicalism come from the periphery. They know that what strengthens the institutional structure of labor, potentially increases its bonds with management.

Such a political settlement will not satisfy the great American quest for moral absolutes and cost-free solutions. But there are no cost-free solutions—and for those Jeffersonian Democrats who find the costs unsupportable, there may be little that can be done but to wish them Godspeed back to the century from which they inadvertently wandered. For better or for worse, this is the age of Hamilton.

THE PROSPECTS FOR A POLITICAL
SETTLEMENT

There ought to be a dilemma confronting the conservative industrialist in America today. He should be calculating the price which he is willing to pay for a conservative and responsible labor movement, for there is every probability that a conservative labor movement can be had at a price that is not too great.

The intelligent conservative cannot fail to have noted that the labor movement has in the past rendered valiant service in the political campaign for high tariffs. He must have noted the opposition of important sections of organized labor to the public ownership of utilities. It will not have escaped him that labor has some times opposed the minimum wage, has stood shoulder to shoulder with industry in opposition to compulsory arbitration, that the outstanding speech on free enterprise at the President's Labor-Management Conference came not from the President of the NAM but from the President of the United Mine Workers. Finally the intelligent conservative will have observed that within the labor movement those unions with the greatest institutional security are the farthest from the left in political outlook. All of these considerations form one account in the ledger.

In the other account are the cost items. A grant of sovereignty cannot be made conditionally. Power thus conceded, however felicitous its use in national affairs, will be used in the plant or factory as well. It will abruptly terminate the dream as yet unabandoned in some quarters of complete sway for the manager over his enterprise. It may involve the use against the employer of a force of demands too great to resist and costly to accept. To the extent that the territory of Labor is augmented that of Management declines. . . .

When President William Green of the American Federation of Labor, speaking before the Conference of American Mayors in January, 1947, predicts that American Labor will move to the left if its institutional privileges and immunities are taken from it by legislation, he is very probably correct. But if he is correct it will not be because of any mass outburst of resentment on the part of the rank and file of American labor, or for loss of confidence of the American worker in the democratic institutions of capitalism, but because the leadership of American labor may come to believe that it can't do business with American employers. Then the American employer may come to believe that union responsibility is worth its price.

5. Union Functions and Structure

AMERICAN trade unions are marked by a great diversity. No stereotyped concept of a union provides adequate understanding. Neither unions nor employers are "all like that." Unions of steel workers, typographers, and maritime workers, for example, display differences in kind almost as much as differences in degree.

Unions are distinguished from each other in many ways. Their attitudes toward the existing economic and political system vary from full acceptance to qualified or complete rejection. The "business union" asserts as much desire to preserve the free enterprise system as do employers. It considers that its whole duty is performed when it conducts voluntary collective bargaining with private employers. Other unions seek changes in the existing system; some moderate, others substantial. These unions are content to live in a democratic society based on private property, but seek greater government participation to increase social security, raise minimum-wage rates, or for other purposes. Still other unions are intent on changing the system itself. While they do not at all times and in all places proclaim such intentions, in the long run this is their consistent goal.

In their struggles for survival and growth unions must choose among the several major techniques available to them. They may choose the method of collective bargaining and place their ultimate dependence on the strike and boycott to wrest concessions from the employers. They may try to utilize political power and influence. Through political power they seek to secure concessions from government itself or to use the strength of government as a lever against employers. Finally, unions may concentrate on benefit activities. They may establish consumer or worker co-operatives, educational classes, credit unions, or social security and recreational programs, for example. This technique involves a minimum of direct contact with the employer and the government, but more intimate relationships with the individual members.

Structurally, unions are of four major types. First, they may be organized around a craft or group of crafts. Here the productive process and ownership of common skills give similarity of interest. Second, unions may organize around a product or series of products. Common interest flows from the product itself and from employment by the same enterprise or by enterprises related by market competition.

Third, influence of a dynamic leader or the power which flows from a stra-

tegic location in society may serve as a basis for a general union which follows neither the logic of craft nor product organization. District 50 of the United Mine Workers, which includes dairy farmers, building trades' craftsmen, railroad workers, and others, bases its strength largely on the drawing power and personality of its top leader. The Teamsters' Union, with its influence over truck transportation, touches nearly every industry. Its members are brought into contact with many diverse employers and their employees. Through its ability to stop the flow of goods, it has lent organizing and bargaining strength to workers in many otherwise unrelated industries.

Fourth, a union may concentrate attention on wage rates, hours of work, and conditions in a particular place of employment. Such a union is unrelated by craft skill, by product, or by union power to other groups of workers. Company unions in the United States have traditionally been of this type.

The passage of time itself tends to separate unions from each other in important ways. The new union struggling for existence is quite different from a well-established organization with a secure place. From conflict to administration, from the mass meeting to the swivel chair, is a major transition. A new union feels the conflict with the employer and uses the techniques of evangelism on present or prospective members. In new unions, leaders need to be effective public speakers or even demagogues. The older union more likely looks upon the employer not as an enemy but as a source of moderate gains from contract to contract. It concentrates more on dues collection than on evangelism. Its leaders need to be administrators capable of conducting its day-to-day business.

The place of a particular organization in the union hierarchy makes a substantial difference. Union influence and activities vary from level to level in the organizational structure—from the local union to the district council, to the national union, and from the city council to the state federation, to the national federation. Nor is the distribution of decision-making power and the performance of function the same in the CIO as in the AFL, or between and among international unions. Essential control of some is highly centralized, of others widely diffused. Historically, however, power has tended to concentrate at higher and higher levels, so that the international union now generally holds the greatest influence in the hierarchy.

Although for purposes of exposition we have classified unions by types and stages of development, we might more appropriately have referred to other characteristics since they imply a greater variety of combinations, and knowledge of this variety of combinations and permutations is essential to understanding trade unions.

The diverse forms, purposes, and procedures of unions are not entirely erratic. Each is related more or less closely to basic economic and social conditions. Unions reflect their environments. The nature of employment in the industry, the structure of ownership, the technological methods, the policies of management, the stage of growth or decline of the industry, the composition of the labor force,

and many other factors help mold the union. Steady work, as in the pulp and paper industry, tends to develop more stable and conservative unionism than in industries marked by transitory relationships between the single employer and the single employee, such as in maritime transportation and industrialized agriculture.

The concentration of ownership in industry affects the concentration of control in the trade unions. Large national employers, such as the automobile industry, are more likely to be confronted by centralized unions than are small scattered employers, as in the restaurant industry. The degree of skill involved also has its influence. Semiskilled workers in production enterprises are more likely to be organized in industrial unions than are skilled craft workers. Antagonistic employers have often been faced by antagonistic unions, and co-operative employers by co-operative unions, although exceptions are not hard to find. In an expanding industry, the union will concentrate on wage increases, for example, while in a declining industry it will pay more attention to maintaining job opportunities. Further, whether the union is composed primarily of men or women, of temporary or permanent workers, will leave an imprint. Such conditions as these, and many others, establish the environment within which unions take on their distinguishing characteristics.

The swings of the business cycle, the changes in Federal politics, the secular changes in the structure of the economy are additional pervasive forces to which different unions are more or less sensitive and from whose adverse effects they seek to be more or less insulated. Policies and programs of the AFL and CIO, for example, were strongly affected by the conditions under which they were developed—the expanding capitalism of the 1880's and the great depression of the 1930's. The philosophy of Samuel Gompers assumed the continuing dominance of private business enterprise in economic and political life. The program of the CIO was more conditioned by the assumption of a strong Federal government. The AFL consequently directed its efforts more toward dealing with private enterprise and the CIO toward dealing with government. Business depressions in the past have invariably reduced trade-union membership and encouraged a more political and reformist orientation. Prosperity generally has served to increase membership and conservatism in policy. Liberal Federal government regimes have fostered expansion of union membership and influence, and more conservative regimes have limited them. Secularly, the shift from handcraft to mass production, and more recently from manufacturing to the service and white-collar trades, has affected the direction and methods of organizing and the programs of the unions.

Unions not only are affected by the surrounding environment but in turn affect it. The results of their actions bear upon their members, their employers, other unions, other employers, the government, and the consumers. The type of union organization affects relations with each of these groups. The same consequences by no means flow from every type of union organization. To under-

stand and anticipate the variety of such consequences, a knowledge of the variety of unions is necessary and of the forces which cause this diversification.

Is there anything common to all unions? They appear to be so different in purposes and methods. Perhaps the central point of uniformity is that unions are primarily political institutions. They behave more like political parties than like business organizations, and include both dictatorships and democracies. As political institutions they concentrate on survival and power. They have their own institutional life and goals. This basically political nature of trade unions gives rise to some of their differences in viewpoint from the employers with whom they deal. The present chapter is concerned primarily with the function and structure of trade unions. Their function and structure, however, cannot be separated from their essentially political nature, which is discussed in the next chapter.

FUNCTIONAL TYPES

ROBERT F. HOXIE¹

Functional Types of Unions

The existence of distinct structural types and varieties of unionism has quite generally been recognized, and it has been noted further that union function tends to vary somewhat with the variation in structure. It seems possible, however, to go much further than this in the general functional analysis of unionism. A penetrating study of the union-situation, past and present, seems, in fact, to warrant the recognition of functional types quite as distinct in their essential characteristics as the diverse structural manifestations. It is true that these functional types do not in practice represent exactly and exclusively the ideas and activities of any par-

ticular union organization or group. That is to say, no union organization functions strictly and consistently according to type. Yet as representing fairly distinct alternative programs of union action, and as guides to the essential character and significance of the diverse organizations and groups included in the heterogeneous union complex, these functional types apparently do exist, and are of the most vital concern to the student of unionism. There are seemingly four of these distinct types, two of which present dual variations.

The first and perhaps most clearly recognizable functional type may be termed *business unionism*. Business unionism appears most characteristically in the programs of local and national craft and compound craft organizations. It is essentially *trade-conscious*, rather than *class-conscious*. That is to say, it expresses the viewpoint and interests of the workers in a craft or industry rather than those of the working class as a whole. It aims chiefly at more, here and now, for the organized workers of the craft or industry, in terms mainly of higher wages, shorter hours, and better working conditions, regardless for the

¹ From *Trade Unionism in the United States* by Robert F. Hoxie, copyright 1920 by D. Appleton-Century Company, Inc., New York, reprinted by permission of Appleton-Century-Crofts, Inc., pp. 44-52.

most part of the welfare of the workers outside the particular organic group, and regardless in general of political and social considerations, except in so far as these bear directly upon its own economic ends. It is conservative in the sense that it professes belief in natural rights, and accepts as inevitable, if not as just, the existing capitalistic organization and the wage system, as well as existing property rights and the binding force of contract. It regards unionism mainly as a bargaining institution and seeks its ends chiefly through collective bargaining, supported by such methods as experience from time to time indicates to be effective in sustaining and increasing its bargaining power. Thus it is likely to be exclusive, that is, to limit its membership, by means of the apprenticeship system and high initiation fees and dues, to the more skilled workers in the craft or industry, or even to a portion of these; though it may, where immediate circumstances dictate, favor a broadly inclusive policy—when, for example, the unregulated competition of the unorganized and the unskilled seriously threatens to sweep aside the trade barriers and break down the standards of wages, hours and shop conditions it has erected. Under these circumstances it tends to develop a broad altruism and to seek the organization of all the workers in the craft or industry. In harmony with its business character it tends to emphasize discipline within the organization, and is prone to develop strong leadership and to become somewhat autocratic in government, though government and leaders are ordinarily held pretty strictly accountable to the pragmatic test. When they fail to "deliver the goods" both are likely to be swept aside by a democratic uprising of the rank and file. In method, business unionism is prevailingly temperate and economic. It favors voluntary arbitration, deprecates strikes, and avoids political ac-

tion, but it will refuse arbitration, and will resort to strikes and politics when such action seems best calculated to support its bargaining efforts and increase its bargaining power. This type of unionism is perhaps best represented in the program of the railroad brotherhoods, though these organizations, as we shall see later, present some characteristics of a vitally different nature.

The second union functional type seems best designated by the terms, *friendly or uplift unionism*. Uplift unionism, as its name indicates, is characteristically idealistic in its viewpoint. It may be trade-conscious, or broadly class-conscious, and at times even claims to think and act in the interest of society as a whole. Essentially it is conservative and law-abiding. It aspires chiefly to elevate the moral, intellectual, and social life of the worker, to improve the conditions under which he works, to raise his material standards of living, give him a sense of personal worth and dignity, secure for him the leisure for culture, and insure him and his family against the loss of a decent livelihood by reason of unemployment, accident, disease, or old age. Uplift unionism varies greatly in degree of inclusiveness, and in form of government. But the tendency seems to be toward the greatest practicable degree of mutuality and democracy. In method, this type of unionism employs collective bargaining, but stresses mutual insurance, and drifts easily into political action and the advocacy of cooperative enterprises, profit-sharing, and other idealistic plans for social regeneration. The nearest approach in practice to uplift unionism is perhaps to be found in the program of the Knights of Labor, though that organization has varied in many respects from the strict type.

As a third distinct functional type, we have what most appropriately may be called *revolutionary unionism*. Revolution-

ary unionism, as the term implies, is extremely radical both in viewpoint and in action. It is distinctly class-conscious rather than trade-conscious. That is to say, it asserts the complete harmony of interests of all wageworkers as against the representatives of the employing class, and seeks to unite the former, skilled and unskilled together, into one homogeneous fighting organization. It repudiates, or tends to repudiate, the existing institutional order and especially individual ownership of productive means, and the wage system. It looks upon the prevailing modes of right and rights, moral and legal, as, in general, fabrications of the employing class, designed to secure the subjection and to further the exploitation of the workers. In government it aspires to be democratic, striving to make literal application of the phrase *vox populi, vox Dei*. In method, it looks askance at collective bargaining and mutual insurance as making for conservatism and hampering the free and united action of the workers.

Of this revolutionary type of unionism there are apparently two distinct varieties. The first finds its ultimate ideal in the socialistic state and its ultimate means in invoking class political action. For the present it does not entirely repudiate collective bargaining or the binding force of contract, but it regards these as temporary expedients. It would not now amalgamate unionist and socialist organizations, but would have them practically identical in membership and entirely harmonious in action. In short, it looks upon unionism and socialism as the two wings of the working class movement. The second variety of revolutionary unionism repudiates altogether socialism, political action, collective bargaining and contract. Socialism is to it but another form of oppression, political action a practical delusion, collective bargaining and contract schemes of the oppressor for preventing the united

and immediate action of the workers. It looks forward to a society based upon free industrial association, and finds its legitimate means in agitation, rather than in methods which look to immediate betterment. Direct action and sabotage are its accredited weapons, and violence its habitual resort. These varieties of the revolutionary type may be termed respectively *socialistic* and *quasi-anarchistic unionism*. The former is perhaps most clearly represented in the United States by the Western Federation of Miners, the latter by the Industrial Workers of the World.

Finally, in the union complex, it seems possible to distinguish a mode of action sufficiently definite in its character and genesis to warrant the designation, predatory unionism. This type, if it be truly such, cannot be set apart on the basis of any ultimate social ideals or theory. It may be essentially conservative or radical, trade-conscious or class-conscious. It appears to aim solely at immediate ends and its methods are wholly pragmatic. In short, its distinguishing characteristic is the ruthless pursuit of the thing in hand by whatever means seem most appropriate at the time, regardless of ethical and legal codes or effect upon those outside its own membership. It may employ business, friendly, or revolutionary methods. Generally, its operations are secret, and apparently it sticks at nothing.

Of this assumed union type also there appear to be two varieties. The first may be termed hold-up unionism. This variety is usually to be found in large industrial centers, masquerading as business unionism. In outward appearance it is conservative; it professes a belief in harmony of interests between employer and employee; it claims to respect the force of contract; it operates openly through collective bargaining, and professes regard for law and order. In reality it has no abiding principles, and no real concern for the rights

or welfare of outsiders. Prevailingly it is exclusive and monopolistic. Generally it is boss-ridden and corrupt, the membership for the most part being content to follow blindly the instructions of the leaders so long as they "deliver the goods." Frequently it enters with the employers of the group into a double-sided monopoly intended to eliminate both capitalistic and labor competition, and to squeeze the consuming public. With the favored employers, it bargains not only for the sale of its labor, but for the destruction of the business of rival employers and the exclusion of rival workmen from the craft or industry. On the whole its methods are a mixture of open bargaining coupled with secret bribery and violence. This variety of unionism has been exemplified most frequently among the building trades organizations under the leadership of men like the late notorious "Skinney" Madden.

The second variety of predatory labor organization may be called, for want of a better name, *guerilla unionism*. This variety resembles the first in the absence of fixed principles and in the ruthless pursuit of immediate ends by means of secret and violent methods. It is to be distinguished from hold-up unionism, however, by the fact that it operates always directly against its employers, never in combination with them, and that it cannot be bought off. It is secret, violent, and ruthless, seemingly because it despairs of attaining what it considers to be legitimate ends by business, uplift, or revolutionary methods. This union variant has been illustrated recently in the campaign of destruction carried on by the Bridge and Structural Iron Workers.

The writer is aware that, apparently, strong objections may be urged against the assumption that these diverse expressions of union viewpoint and action represent true functional types. It has been admitted that probably the ideals and

modes of action of no particular union organization correspond exactly to any one of these so-called types. It is a fact, moreover, that the programs of most unions are undergoing a pretty constant process of change and sometimes shift rapidly. It is true further that the membership of any union may include representatives of all kinds of unionism—business, uplift, revolutionary, and predatory.

SIDNEY and BEATRICE WEBB¹

Trade Union Methods

We shall see the Trade Unionists, from the beginning of the eighteenth century down to the present day, enforcing their Regulations by three distinct instruments or levers, which we distinguish as the Method of Mutual Insurance, the Method of Collective Bargaining, and the Method of Legal Enactment. . . .

By the phrase "Mutual Insurance," as one of the Methods of Trade Unionism, we understand only the provision of a fund by common subscription to insure against casualties; to provide maintenance, that is to say, in cases in which a member is deprived of his livelihood by causes over which neither he nor the union has any control. This obviously covers the "benevolent" or friendly society side of Trade Unionism, such as the provision of sick pay, accident benefit, and superannuation allowance, together with "burial money," and such allowances as that made to members of the Amalgamated Society of Tailors who are prevented from work-

¹ Sidney and Beatrice Webb, *Industrial Democracy*, reprinted by permission of the executors of the late Lord Passfield, Longmans, Green and Company, Ltd., London, 1919, pp. 150, 152-54, 173, 177, 247, 797, 800.

ing by the sanitary authorities, owing to the presence of infectious disease in their homes. But it includes also what are often termed "trade" benefits; grants for replacing tools lost by theft or fire, and "out-of-work pay," from the old-fashioned "tramping card" to the modern "donation" given when a member loses his employment by the temporary breakdown of machinery or "want of pit room," by the bankruptcy of his employer or the stoppage of a mill, or merely in consequence of a depression in trade. "The simplest and universal function of trades societies," it was reported in 1860, "is the enabling the workman to maintain himself while casually out of employment, or travelling in search of it." On the other hand, our definition excludes all expenditure incurred by the union as a consequence of action voluntarily undertaken by it, such as the cost of trade negotiations, the "victim pay" accorded to members dismissed for agitation, and the maintenance of men on strike. These we omit as more properly incidental to the Method of Collective Bargaining. We also leave to be dealt with under the Method of Legal Enactment the provision for the legal aid of members under the Employers' Liability, Truck, or Factory Acts.

Trade Union Mutual Insurance, thus defined, comprises two distinct classes of benefit: "Friendly" and "Out of Work." There is an essential difference between the insurance against such physical and personal casualties as sickness, accident, and old age on the one hand, and, on the other, the stoppage of income caused by mere inability to obtain employment.

Friendly Mutual Insurance, in many industries the oldest form of Trade Union activity, has been adopted by practically every society which has lasted. Here and there, at all times, one trade or another has, in the first emergence of its organisation, preferred to confine its action to Collective Bargaining or to aim at Legal

Enactment. But directly the combination has settled down to everyday life, we find it adding one or other of the benefits of insurance, and often developing into the most comprehensive Trade Friendly Society. For the past hundred years this insurance business has been steadily growing, not only in volume, but also in deliberateness and regularity. . . .

The nature of the Method of Collective Bargaining will be best understood by a series of examples.

In unorganised trades the individual workman, applying for a job, accepts or refuses the terms offered by the employer, without communication with his fellow-workmen, and without any other consideration than the exigencies of his own position. For the sale of his labor he makes, with the employer, a strictly individual bargain. But if a group of workmen concert together, and send representatives to conduct the bargaining on behalf of the whole body, the position is at once changed. Instead of the employer making a series of separate contracts with isolated individuals, he meets with a collective will, and settles, in a single agreement, the principles upon which, for the time being, all workmen of a particular group, or class, or grade, will be engaged. . . .

This practice of Collective Bargaining has, in one form or another, superseded the old individual contract between master and servant over a very large proportion of the industrial field. "I will pay each workman according to his necessity or merit, and deal with no one but my own hands,"—once the almost universal answer of employers—is now seldom heard in any important industry, except in out-of-the-way districts, or from exceptionally arbitrary masters. . . .

We do not need to remind the student of the *History of Trade Unionism* that an Act of Parliament has, at all times, formed one of the means by which British Trade

Unionists have sought to attain their ends. The fervor with which they have believed in this particular Method [Legal Enactment] and the extent to which they have been able to employ it have varied according to the political circumstances of the time. . . .

The Method of Mutual Insurance . . . in its economic aspect, is hardly distinguishable from imperfect Collective Bargaining, and . . . may be regarded as an adjunct of the other Methods. . . . The Method of Legal Enactment is superior in the characteristics of peacefulness and absence of preliminary friction, whilst in the qualities of elasticity, promptness of attainment, and facility of alteration, the Method of Collective Bargaining holds the field.

E. WIGHT BAKKE¹

Some Basic Characteristics of Unions

The first requirement for effective and fair dealing between representatives of two organizations is that each shall recognize the compulsions placed upon the actions of the other by the basic characteristics and objectives of the organization he represents. Business enterprise and unions differ in many respects. This is not to say that one is "better" or "sounder" than the other. Intelligent dealings, however, must be based on an accurate appraisal of facts. No set of facts is more significant than the characteristics and objectives of the organization with which one is dealing.

¹ Adapted from E. Wight Bakke, *Mutual Survival, the Goal of Unions and Management*, Yale Labor and Management Center, New Haven, 1946, pp. 3-18.

Anticipation of the behavior of its representatives will be adequate only if such facts are understood.

What are some of the most important basic characteristics of unions?

The first is that the union normally represents members in many companies throughout the industry or occupation. Every expansion of the union into new territory increases its task of representing, and maintaining group solidarity among, all workers in its jurisdiction. More and more, unions will be guided by that fact and not merely by their responsibility as spokesmen for the employees of a particular company.

In the process of doing this the second characteristic of unions becomes clear. They develop an institutional life of their own beyond the lives of individual members. A basic objective of that development is strength and power and prestige of the union as such. Internal conflicts must be ironed out. The membership must be bound together by a common philosophy and achievement. Power of many sorts has to be acquired. Protection against competing unions must be sought. A strong internal government and leadership must be developed. Faced with such problems, the union officers cannot come to the bargaining table merely as spokesmen for the employees of a single company. Every demand, every counterproposal, every compromise, must be measured against the need for survival and growth of the union itself. Even the degree to which the clearly expressed wishes of the employees themselves can be followed by union leadership must face that test.

The unions cannot afford to forget their own primary interest in representing the interests of employees of particular firms; for the satisfaction of those interests is the foundation upon which their reputation for service must be built. But union lead-

ers are convinced that even service to local groups is not a product merely of presenting persuasively to local management the expressed wishes of local groups. It is a product of the ability to back their arguments with a power broadly and firmly rooted in a supporting membership throughout the industry or occupation, and in the organizational strength of the union itself.

Now a union in representing a broad membership and in maintaining its own existence necessarily raises issues which extend far beyond the particular problems of the particular company. The welfare of the entire membership and the strength of the union as such are seldom dependent solely upon what happens to any particular firm.

When the union demands a guarantee of exclusive or even continuing membership, or the check-off, in order to strengthen itself, many employers have said, "If you can sell yourself to our men, you can become strong. But that is your problem, not ours."

The union frequently argues wage possibilities in terms of rates of other firms and industries and localities whose internal problems are considerably different from those of the particular company involved. Sometimes they demand industry-wide terms. They raise the issues of aggregate purchasing power, full employment, human rights, the American standard of living. The management which is preoccupied with the internal problems and structure of its own company is likely to say, "What does that have to do with my problem?"

The conflict between management's idea that industrial relations are primarily a part of the operations of an individual company, and the tendency on the part of unions to introduce considerations which are beyond the effective control of a par-

ticular management, is not an insurmountable barrier to effective collective bargaining. Unions can expect few improvements in the material welfare for the employees of inefficient or unprofitable firms. Water isn't pumped from a dry well. Moreover, prominent management leaders are constantly urging employers to expand their interest in and concern for many of the problems which the union injects into the bargaining. To the extent that the economy and society become more complex, the welfare of the whole and that of the individual firm are bound more closely together.

A third characteristic of unions is too clear to miss. Fundamentally a union is an employer regulating device. It seeks to regulate the discretion of employers, as one union leader said, "at every point where his action affects the welfare of the men." Now those points cover a broad area. In one sense there is not a single managerial function which does not fall within that area. Where will the process stop? Where can it stop if the union is to fulfill its basic objective of regulating collectively all those industrial policies and practices which affect the welfare of the men? Certainly, union leaders have no clear-cut definition of the boundaries of this area. I doubt, on the basis of responses from management to my questions, whether any representative group of managers could agree upon precise boundaries.

Not only does a union seek to regulate employers, it is also a device to reduce or eliminate competition among workers by establishing uniform rules and standards and compelling individual workers to conform to them. Putting it differently, the union purpose and policy is to eliminate individual bargaining. Union leaders believe this is an essential principle of unionism and collective bargaining. Unless a

union can persuade or compel men to say, "On these terms and no others will we accept employment," it has left the door open to just that competition among workers which it was set up to eliminate. The bargaining power of the group as a whole is destroyed. The essence of union strength is a solid front on the conditions and terms of employment.

Union leaders are acting in accordance with the basic principles of unionism in seeking to impose rules on management and to reduce competition among workers. The process itself and not its end result absorbs many of them at the moment. That is natural, particularly in the early stages of organization. But thoughtful labor leaders tell me that the time has arrived for a serious estimate of the effects of that end result upon management's ability to do its job. It is only common sense, say these leaders, if the unions expect management to be interested in the effect of its action on building effective unions, unions in turn should demonstrate an intelligent interest in the survival requirements of efficient management.

Certain additional characteristics of unions distinguish them from business concerns. Let me say immediately that there is a large element in the function of the union which is definable as business operations. A union is in part a business institution, but it has other features which keep it from being purely a business organization. Let me cite a few of these characteristics which are prominent in union leaders' conceptions of unionism, and which, when added together, raise a serious question as to whether unions will ever be guided solely by the code of business operations.

A union is a part of a working class *movement*. A movement is not a business. To the degree that workers are thoroughly integrated with it, they are bound by psy-

chological ties of loyalty, not only to a particular union but to the movement with its traditions, folklore, and symbols. There is nothing in the world of business which compares exactly to the song books, the banners, the pilgrimages, the traditions of struggle against exploitation, the folklore of martyrdom, the poetry and literature which mirror in their various phases the psychological sentiments which hold a movement together and motivate much of the conduct of participants. A movement is not a business, although it may have business functions to perform. Loyalty to this movement on the part of a significant nucleus of union men will very frequently cause them to set aside purely business considerations and to adopt tactics which are anything but businesslike.

Again, a union is a pressure organization originating in the desire on the part of a group of people with relatively little power to influence the action of a group with relatively more power. The words "struggle" and "fight" and "battle" and "crusade" are not merely a part of the vocabulary of union organizers. They are symbols of the conception which these men hold of their own task, symbols made vivid by their life experience. The tactics and policies of today are molded by the experiences of yesterday.

Furthermore, a union is a device for continuously changing the balance of fundamental economic rights and rewards in favor of workers. A business is a device for obtaining economic advantages within the framework of established rights. But it is one of the major functions of unions to alter the balance of these rights and rewards as between employers and workers. The changing of fundamental rights, at best, is more of a political than a business procedure. In many cases, its tactics point more in the direction of warfare than in the direction of trade.

Finally, a union is a political institution in its internal structure and procedures. The solidarity of its participants is affected, not by the businesslike procedures of hiring and firing, the giving and withholding of economic rewards, but by the techniques well known to political leaders. A moment's reflection upon the methods of political machines and the conditions of their survival will amply demonstrate the difficulties in the way of unions ever becoming pure business organizations. Or consider an analogy from business itself. Suppose management had to get the consent of stockholders to practically every decision made. Suppose that their operations involved the constant and detailed activity of stockholders. Suppose that a stockholder, dissatisfied by this day-to-day activity, could object, not by selling his stock to someone else but by actually withdrawing capital from the business. Management would then be compelled to develop in relation to their stockholders the same kind of political strategies which union leaders must develop in relation to their members. The ability on the part of management to make binding decisions which they have the power to carry through in their dealings with others would be immensely complicated if they had to depend on detailed support and cooperation from stockholders in order to implement their decisions. Management-stockholder relations would become political, not solely business relations.

If it is understood that unions are, internally, political organizations, then much that is referred to as unbusinesslike or irresponsible conduct may be set down as the behavior of a political institution which has not yet solidified and regularized its own structure or become adapted to the task at hand. I can imagine, for instance, that if a large city were to be run by the methods of town-meeting

democracy, the confusion and ineptness and inadequacy of the actions taken might conceivably be labeled as irresponsible by those accustomed to a city-manager form of government. There is no *democratic* short cut to the development of well-integrated and disciplined political institutions.

These features of unionism retard, if they do not make impossible, the development of unions completely responsive to the principle of businesslike dealings and responsibility so important in management's conception of industrial relations. They are not cited in order to demonstrate an ultimate incompatibility between unions and this conception, but to indicate the character of the problem faced.

SELIG PERLMAN
and PHILIP TAFT¹

Theories of Samuel Gompers

By 1897, when the sun of prosperity, a mere pale northern sun for a year or two, began to shine upon the labor movement, its leadership, with Samuel Gompers at the head, had drawn many significant conclusions from all that past "experimentation." They were as follows:

1. The aspiration towards self-employment through the self-governing or co-operative workshop was a snare and a delusion. . . . Producers' co-operation was thus a dangerous competitor to trade unionism, a competitor for the interest,

¹ From Selig Perlman and Philip Taft, *History of Labor in the United States, 1896-1932*, copyright 1935 by The Macmillan Company and used with their permission, Vol. IV, Labor Movements, pp. 3-10.

enthusiasm, and limited resources of the labor movement. . . .

2. American labor, prior to the nineties, had been prone to identify itself in outlook, interest, and action with the great lower middle class, the farmers, the small manufacturers and business men—in a word, with the “producing classes” and their periodic “anti-monopoly” campaigns. As a result the organized wage earners would periodically be drawn into the whirlpool of politics under the banner of the “anti-monopoly” parties, invariably suffering dissensions and frequent disintegration. The farmer movements have always been notoriously unstable and their political movements even more so. Hence these “producing classes” alliances hindered the labor organizations from gaining stability, and caused them for decades to be mere sieves into which membership poured only to pour out again. Separation in organization and mental outlook, but not necessarily in sympathy, from the farmer movements, was a most pressing necessity.

3. A succession of “tests” of the reaction of the American community to proposals of revolutionary change in the institution of private property, from Skidmore’s “stunt” in 1829 down to the Chicago “anarchists” of the eighties, had invariably evoked the same disastrous result. . . .

4. These same experiences which have demonstrated that labor is in a minority position in the American community, have led to American labor’s distrust of government authority, which is so puzzling to Europeans. Experience, notably in the Pullman strike case, has taught American labor leaders that, whatever may have been the avowed purpose when powers were extended to the government, and whatever may have been the express assurances given to labor that such powers would never be used against labor, it is

all in vain when a crisis breaks, like a strike in a vital industry, and when the powers *that be* feel that with some stretching perhaps, the law might be applied to suppress labor’s effort. The “voluntarism” or anti-governmentalism of the Gompers group was not the result of an assiduous study of Herbert Spencer but of Attorney General Olney’s invoking the Sherman Anti-Trust Law and the Interstate Commerce Act against the striking railway men. Throughout history every group with a “minority consciousness” feared strong government.

5. This possible harm from increasing the government’s power was offset only meagerly by the chance of positive achievements through labor protective laws. The experience of the labor movement with the crop of the general eight-hour laws passed in the sixties, as well as Gompers’ own experience with anti-tenement house manufacture laws in New York State, demonstrated the inadequacy of the political instrument when put to use by labor. The Federal basis of our government which erects forty-nine legislative fronts for labor to be active on, instead of one as in Great Britain, and the separation of powers within each sovereign unit, especially the dictatorial power of the judiciary to annul legislation, have turned the American labor movement towards that stubborn “economism” which remains the despair of upper and middle class humanitarians. For, economic action, strikes and boycotts, notwithstanding court injunctions, could not be rendered as ineffectual as have been attempts at reform by legislation.

6. But not alone the inherent weakness of the state as an instrument of economic reform militated against placing reliance upon it. The established mode of procedure for getting control of that instrument—namely, the American political party

system so essentially different from the European—created an additional and most serious obstacle. After many attempted independent labor parties, American labor was obliged to come to the reluctant conclusion that to compete with the “old” parties by naming a rival ticket was to court defeat and often disaster. The “old” parties in this country have shown themselves, when forced by the situation, capable of a flexibility of one hundred and eighty degrees in their platforms, with extraordinary dexterity at “stealing the thunder” and the voters of the new party. As the “old” parties are out primarily to get from the voters the contract to run the government, they, like good business men, are not rigid about consistency with their own past professions or actions. Also the “workers” of the old parties have shown a remarkable gift for infiltrating any new or labor party and causing dissensions not alone in the party councils but in the sponsoring labor organizations themselves. Hence, the Gompers group concluded, let us refrain from such disastrous competition with the established political concerns, but let us bargain with them instead. “Reward your friends and punish your enemies!”

7. Together with the eschewing of independent labor parties went the rejection of the intellectuals as possible leaders of the labor movement. The intellectual might go from success to success in conquering the minds of the middle class; the labor movement largely remained closed to him. . . .

8. Another lesson from the past was the realization of the extreme danger of “dualism” in organization. The overshadowing problem of the American labor movement has always been the problem of staying organized. No other labor movement has ever had to contend with

the fragility so characteristic of American labor organizations. In the main, this fragility of the organization has come from the lack of class cohesiveness in American labor. The American unions after a decade of the weakening competition with the Knights of Labor, have seen the need of ruthless suppression of “dual” unions and of “outlaw” strikes. . . .

9. Gompers and his associates were under no delusion as to the true psychology of American workingmen, particularly as regards the practicable limits of their solidarity. They knew that where wage earners were held together by the feeling that their jobs came out of a common job reservoir, as did those in the same or in closely related crafts, their fighting solidarity left nothing to be desired. They also knew, however, that they had to go slow in pressing on to greater solidarity. Where conditions made co-operation between different craft groups urgent, it was best obtained through free co-operation, each union reserving the right to decide for itself in every situation whether to co-operate or not. Thus, as with allied sovereign states, solidarity in action remained dependent on the sense of honor of each ally instead of on compulsion. Solidarity of the skilled with the unskilled was not precluded, but it was never assumed as a matter of fact or of moral duty. Rather it was assumed that a labor group that needed outside aid to give it the original impulse to assert its independence was something of a questionable addition to the family of organized labor.

Solidarity, as understood by this group, was thus a solidarity with a quickly diminishing potency as one passed from the craft group—which looks upon the jobs in the craft as its common property for which it is ready to fight long and bitterly—to the widening concentric circles of

the related crafts, the industry, the American Federation of Labor, and the world labor movement.

10. The new leaders of the American labor movement were even more conscious of the immigrant problem than the Knights of Labor, which had pioneered the first legislation to restrict free immigration. They had learned that to workers employed in a given industry, a new wave of immigrants, generally of a new nationality, meant a competitive menace to be fought off and to be kept out of the industry. The emphasis on the closed shop had among other objectives that of preventing the employer from preparing for a future showdown with the union by attaching to himself immigrant employees, who, due to the social and cultural gulf between themselves and their unionized American fellow employees, could be influenced to align themselves with the employer. . . .

11. In the nineties the trade agreement became one of the most generally accepted principles and aspirations of the American labor movement. The basic idea of the trade agreement is that of collective bargaining rather than arbitration. The agreement is made by direct negotiation between the two organized groups, the employers being willing to deal with the officers of the union as representatives of their employees, and the sanction which each holds over the heads of the other is the strike or lockout. If no agreement can be reached, the labor organization insists on its right to refuse arbitration.

The trade agreement, identical with "recognition," but not necessarily including the "closed shop" or the stipulation of exclusive employment of union members, is a written constitution of a new type of government, an *industrial government*, established by bargaining as an organized group. Underlying this system

of government is a consciousness of limited job opportunities—a situation which required that the individual, both in his own interest and that of the group to which he immediately belonged, should not be permitted to occupy any job opportunity except on the condition of observing the "common rule" laid down by his union. The safest way to assure this group control over job opportunity—though also a way so ideal that only a union as favored as the Typographical Union was able to actualize it entirely—was for the union, without displacing the employer as the owner of his business and risk taker, to become the virtual owner and administrator of the jobs. Where such an outright "ownership" of the jobs was impossible the union would seek, by unlimited collective bargaining with the employer, to establish "rights" in the job, both for the individual and for the whole group, by incorporating, in the trade agreement, regulations applying to overtime, to the "equal turn," to priority and seniority in employment, to apprenticeship, to the introduction and utilization of machinery, and so forth. Thus the industrial government envisaged by unionism was a highly integrated government of unionized workers and of associated employer-managers, jointly conducting the government with "laws" mandatory upon the individual employer and employee. With industrial government so conceived, the American Federation of Labor broke away from the middle class and farmer reformers on the "trust" issue. It declared unequivocally that the "trusts" were an inevitable economic development before which the law was completely helpless, but that its power could be controlled to society's advantage under an industrial government in which it would be checked by the power of the fully "recognized" trade union.

COMMISSION ON INDUSTRIAL RELATIONS¹

Criticisms by Socialists and Industrial Workers of the World

Criticism 1. Organization on craft lines defeats solidarity and at times makes labor organizations the tools of the employers.

The representatives of trade unions reply that the best justification of the craft form of organization, is to be found in the fact that the unions formed on this basis prospered, while in many cases ambitious attempts to organize without regard to crafts have resulted in complete failure. It is further stated that the question of the method of organization is a matter of practicability and the choice of the individual members.

Criticism 2. Acceptance, especially by conservative leaders, of the idea that the interests of employers and of labor are the same, makes the existing trade union an ally in the exploitation of the rank and file of the union workmen, as well as of unorganized labor.

The trade union representatives state that there is no acceptance of the idea of the identity of interests of employers and workmen, other than the firm belief that whatever advances the cause of the workers and improves their material condition, must be valuable to the employer by giving him more efficient and competent employees.

Criticism 3. The lack of democracy in trade unions, and the domination by individual leaders, hinder development of the rank and file and make it easy for the employer to prevent aggressive action.

It is said by the labor representatives that, on the contrary, the trade unions are

the most democratic organizations in the world, and that their leaders possess no greater power than is necessary for the conduct of the business of the unions.

Criticism 4. The existing trade unions are, with a few notable exceptions, attempts to secure through monopoly all the improvements for the skilled workers, often at the expense of the unskilled. The unskilled workers are therefore regarded as an encumbrance, and no effective attempt is made to organize them.

The trade union representatives repudiate these charges, and state that their efforts to organize the unskilled are more complete and far reaching than any attempts which have been made by their critics. They insist, moreover, that the one great obstacle to the organization of the unskilled workers into trade unions, is the campaign of opposition which is continually pursued by these very critics.

Criticism 5. The trade unions, by neglecting the political field, fail to use their most effective weapon.

The trade union representatives reply that the history of the attempts to use labor organizations for political purposes shows a succession of failures, which have resulted in the disintegration of such organizations, and that the trade unions urge their members to utilize the ballot for their own industrial interests.

Criticism 6. The trade unions, by accepting the philosophy that labor is a commodity, attempt only to get the best price for its sale, and are constantly defeated because the employer, by raising the price of the commodities which he sells, is able not only to recoup himself, but to pass the increase to the consumers, the greater number of whom are themselves laborers.

The trade union representatives repudiate the acceptance of any philosophy which regards labor as a commodity, and point not only to the fact that in one of the recent Acts of Congress they have secured the insertion of a clause denying

¹ Commission on Industrial Relations, *First Annual Report*, Chicago, 1914, pp. 24-39.

that labor is a commodity, but also to the long list of legislative measures, secured by the efforts of the trade unions, which are intended to promote the well-being of men, women and children.

Criticism 7. The restrictions on membership which have been set up by many craft unions, in the form of high initiation fees and disbarment on account of race and color, are undemocratic and prevent the formation of real solidarity of labor.

The trade union representatives answer that the initiation fees, as a rule, are extremely reasonable; that where high fees are charged there is some well grounded necessity therefor; that there are comparatively few restrictions as to race or color, and that by the very necessities of our social institutions, these must be determined in many instances according to the particular circumstances of trades and localities; that excessive fees and racial and other discriminations are the acts of individual unions; and that the overwhelming sentiment, among the rank and file of the trade unions, is unalterably opposed to the charging of excessive fees and to discriminations undemocratic in character.

COMMITTEE FOR INDUSTRIAL ORGANIZATION¹

The Program of the CIO

ORGANIZING THE UNORGANIZED

About two years ago when the CIO was originally formed and for a considerable time thereafter the policy of the CIO was to organize the unorganized, bring them into substantial unions and offer those unions and these members to the AFL. But the consistent and persistent

refusal of the AFL to extend membership in that institution to those new members that we had organized has naturally compelled the CIO to adopt other measures. . . .

We have consistently maintained from 1935 until now that if the unorganized workers of this nation were going to be organized, they could only be organized under one policy, that policy being the one enunciated by the CIO. We have demonstrated during the past two years that our plan of organization is the kind of plan that the unorganized workers of this nation want. The CIO some two years ago proceeded upon the theory that if the unorganized workers of this country were going to be organized we must of necessity give to these workers the kind of an organization they want. . . .

THE RIGHT TO WORK

The most important factor for every worker is his security of employment. Such security must also yield to each worker a sufficient income to permit him to maintain his family on a decent standard of living. Organized labor through the AFL heretofore has not given sufficient heed to this fundamental demand. Certainly American industry has had no qualms about sacrificing any such security for the worker in order to meet the necessary business requirements and competitive conditions in industry.

The CIO now announces that the basic feature of its legislative and economic program is: "Each worker has a right to a job and must be guaranteed security of employment." . . .

SOCIAL SECURITY

Federal Social Security legislation should be amended in several respects in order to extend its operation and also to increase the benefits guaranteed thereunder. Such amendments may be summarized as follows:

¹ Committee for Industrial Organization, *The Program of the CIO*, Washington, D. C., 1937, pp. 10-15.

(a) The old age insurance system should be accelerated and broadened into an old age permanent disability and survivor's insurance system. . . .

(b) Unemployment compensation should be extended so as to include compensation for workers who are unemployed for any legitimate reason.

(c) A complete health program should be incorporated which will grant adequate cash and medical benefits.

(d) The program should be extended to include agricultural workers, domestic employes, marine workers, and the unemployment compensation program should be extended to include employes of Federal instrumentalities not completely owned by the United States. . . .

HOUSING

The CIO has actively supported Federal legislation to provide decent housing facilities for families of low incomes. As passed by Congress the Wagner-Steagall Act depends for its successful operation upon state legislation creating local housing authorities and empowering them to utilize the Federal credit provided by the laws.

Now, Therefore, Be It Resolved, that the CIO unions should continue their

efforts to secure the establishment of such housing authorities and the practical realization of the benefits of the Act.

WORKERS EDUCATION AND FEDERAL ARTS

Whereas, the extension of education and culture is of vital concern to the progressive labor movement, and essential to the realization of its aims, and

Whereas, for the first time in the history of the country, as a result of the Federal Arts Projects, millions of workers and their families throughout the land have received the benefits of cultural enlightenment beyond an elementary education, and

Whereas, it is consistent with democratic government to assure the benefits of education and cultural enlightenment to all, and

Whereas, the temporary and limited nature of the present program means that it is in danger of being entirely liquidated, and that its benefits may be lost, therefore be it

Resolved, that this conference declares the need for legislation by the Congress of the United States appropriating funds to create a permanent and expanded Workers Education and Federal Arts Program.

STRUCTURAL TYPES

FLORENCE PETERSON¹

Federated Organizations

"Organized labor" refers to those workers who have combined into organiza-

¹ Florence Peterson, *American Labor Unions, What They Are and How They Work*, by permission of Harper & Brothers, New York, copyright 1945, pp. 41 ff.

tional units of one kind or another for the purpose of improving their economic status. The "labor movement" connotes the unified purpose, activities and aspirations of such workers. Neither term relates specifically to the structural arrangement by which workers group themselves. However, the structural arrangements . . . are basic elements of any general movement. Although personalities and external

circumstances may be controlling forces in the development of any movement, its character and effectiveness are influenced strongly by its internal mechanism and rules of operation.

The constituent and autonomous units which make up the bulk of organized labor are the National and International unions. Most of these unions are affiliated with either the American Federation of Labor or the Congress of Industrial Organizations although there are important exceptions. A number of railroad and government workers' unions, for instance, have never belonged to the federated groups. Several other unions have at various times belonged to either the AFL or the CIO but for some specific reasons have withdrawn or been expelled.

The major functions of the federated organizations, both the American Federation of Labor and the Congress of Industrial Organizations, are to promote the interests of workers and unions before the legislative, judicial and administrative branches of government; to expand union organization, both directly and by assisting their International unions; to provide research, legal and other technical assistance to their members; to publish periodical journals and other literature dealing with economic problems and general matters of interest to labor; to represent and promote the cause of labor before the general public; to determine the jurisdictional boundaries of their affiliated unions and to protect them from dual unionism; to serve as spokesman for their unions on international affairs, especially international labor movements.

AMERICAN FEDERATION OF LABOR

The American Federation of Labor was organized in 1881 by a group of trade unions for the purpose of mutual aid and

protection.¹ As its name implies, it is an organization of unions of workers which serves as their spokesman and through which the unions act on matters which concern more than one trade or group of workers. Historically and structurally the Federation is an agent of its constituent organizations, having only such powers, and engaging in only those activities, which have been assigned to it by its affiliated unions. It has no direct authority over the internal affairs or the activities of any of its member unions so long as they do not impinge upon the jurisdiction of another affiliated union. While it exerts a great deal of influence over its members, its only actual power is the power of expulsion from membership in the Federation. . . .

The annual convention is the supreme lawmaking body of the Federation. Decisions and instructions of the conventions are carried out by the Executive Council which meets about four times a year. The responsible administrative agents are the President and Secretary-Treasurer who devote full time to the Federation's work. . . .

The Executive Council is composed of the President, Secretary-Treasurer and fifteen Vice-Presidents elected annually by the convention. By custom, the Vice-Presidents are selected from among the officers, usually the Presidents, of the Internationals, who continue to hold their offices with their respective unions. While the President and Secretary-Treasurer must be members of some affiliated union, after election they devote their full time to Federation matters.

The Executive Council carries out the decisions of the convention and submits a report to each convention on the activities of the Federation and recommenda-

¹ Originally organized under the name of "Federation of Organized Trades and Labor Unions" and adopted its present name in 1886.

tions for further action. During the interim between conventions the Executive Council may take any action which "may become necessary to safeguard and promote the best interests of the Federation and of its affiliated unions." While the granting and revoking of charters rests with the convention, the Executive Council may suspend any union which it finds guilty of promoting dual unionism, the union having the right to appeal to the annual convention. While the amount of per capita taxes and assessments is determined by the convention, the Executive Council has the power to levy a general assessment up to ten cents a member during any yearly period to assist an affiliated union in a protracted strike or lockout. Since the federal unions are directly affiliated with the Federation, the Executive Council maintains the same kind of control over them which an International does over its locals.

In its office at Washington, D. C., the Federation maintains a staff of economic and legal advisers and assistants who prepare data to be used at Congressional hearings and work in close co-operation with the various governmental agencies concerned with labor matters. A major activity of the Washington staff is the preparation of the Federation publications. . . . While a large share of the work of organizing the unorganized is performed by the Internationals within their various jurisdictions, the Federation also employs about 175 organizers to assist them and to carry on organizing activities in the industries and trades not included within the jurisdiction of any of its affiliated unions.

The revenue of the Federation is derived from a per capita tax upon the paid-up membership of each affiliated International union amounting to $1\frac{1}{2}$ cents per member per month up to 300,000 members, and 1 cent per member in excess of

300,000. Federal labor unions, which do not belong to Internationals but are directly affiliated with the AFL, pay $35\frac{1}{2}$ cents per month per member and 25 per cent of their total initiation fees. Each city central and state federation pays \$10 per year to the Federation. Special assessments upon the membership may be made by a majority vote of any convention. . . .

DEPARTMENTS OF THE AMERICAN FEDERATION OF LABOR

The 1907 convention of the American Federation of Labor declared that "For the greater development of the labor movement, departments subordinate to the American Federation of Labor are to be established from time to time . . . each department is to manage and finance its own affairs . . . but no department shall enact laws, rules or regulations in conflict with the laws and procedure of the American Federation of Labor." During the two years subsequent to this declaration, four departments were established: the Building and Construction Trades Department, the Metal Trades Department, the Railway Employees' Department, and the Union Label Trades Department. Many of the International unions of the AFL are outside the jurisdiction of any of these departments while some are affiliated with several departments.

CONGRESS OF INDUSTRIAL ORGANIZATIONS

Structurally, the Congress of Industrial Organizations is not unlike the American Federation of Labor with the exception that the CIO at present has no departments, although its constitution permits their establishments. Since most of the constituent unions of the CIO are industrial in character, it has not found it necessary to establish departments through which various craft unions seek to settle their jurisdictional disputes and consolidate for collective bargaining purposes.

The annual convention is the supreme authority of the CIO, being held during October or November at a time and place designated by the Executive Board. . . .

The officers of the CIO, consisting of a President, nine Vice-Presidents and a Secretary-Treasurer, are elected by majority vote at each regular convention. The Executive Board is composed of these officers and "a duly qualified officer" from each affiliated International. It is the duty of the Executive Board to enforce the Constitution and to direct the affairs of the Organization between conventions and to make a report to the convention of its activities and recommendations.

Between Board sessions, held at least twice a year but subject to call by the President or a majority vote of the Board, the President has full power to direct the affairs of the Organization. The Executive Board issues certificates of affiliation to International unions, the city and state councils, and the directly affiliated local unions. When a sufficient number of the latter are organized in a particular industry, it is the duty of the Board to combine them into an International union or, as a first step, into an Organizing Committee until such time as they are able to finance and administer themselves.

In its office at Washington, D. C., the Organization maintains a staff of economic and legal advisers to assist its affiliated bodies and to work in close cooperation with the various governmental agencies concerning labor matters. The Organization issues weekly and monthly publications as well as pamphlets dealing with trade union matters. It employs about 180 organizers to assist its member unions, as well as to conduct organizing campaigns in plants and industries not included within the jurisdiction of its affiliated unions.

The revenue of the Organization is derived from a per capita tax of 5 cents per

month from each member of its International unions, 50 cents per member per month from each of its directly affiliated unions plus one-half of their initiation fees, \$25 annual fee from each local and state council, and \$25 upon the issuance of a certificate of affiliation. . . .

RAILROAD UNIONS

Labor organization in the railroad industry is predominantly along craft or occupational lines. While many of the unions are confined solely to railroad employees, a substantial number of railroad workers belong to unions which cover workers of similar crafts in other industries. Many dining car employees, for example, belong to the Hotel and Restaurant Employees' International Alliance; railroad shopmen are members of the several AFL unions to which workers of those particular crafts in other industries also belong. Recognizing the special problems and needs of their railroad members, the AFL established its Railway Department, described above, which serves as a unified agency for all crafts of railroad shopmen.

About half the unions covering railroad workers are affiliated with the AFL, including some unions which are confined solely to railroad workers as well as those covering workers of the same craft in other industries. The four train service unions, commonly referred to as the "Brotherhoods," as well as several other of the important railroad unions, have always remained outside the AFL. Although they maintain harmonious relations with both the AFL and the CIO, they have been reluctant to accept close ties of affiliation to an organization representing members from various industries and trades. In their relations both with their employers and with the government, they have considered it to their advantage to remain free to pursue those measures

which are of peculiar benefit to themselves.

At present there are approximately twenty-three so-called "standard" railroad unions. In addition there are a few "system associations" or "company unions" but during recent years there has been a notable reduction in these as an increasing number of railroad employees have joined the standard unions. There is some overlapping of jurisdiction between the AFL affiliates and the independents, as well as among the independents themselves. Some of the dualism is due to the fact that Negroes are ineligible to membership in some of the unions and have formed organizations of their own.

Unlike most other industries, there is extensive organization of supervisory personnel in the railroad industry. Some foremen and supervisors are organized into unions of their own, such as the Yardmasters Unions and the American Railway Supervisors Association which takes in shop foremen. In the other branches of the industry, foremen are customarily members of the same unions as the men whom they supervise.

FLORENCE PETERSON¹

International Unions

The International unions are the autonomous, self-governing units of the labor movement. Even though an International is affiliated with a larger body such as the American Federation of Labor or the Congress of Industrial Organizations, it retains its independence as a self-governing

organization so far as its internal affairs are concerned. Even with respect to outside activities, an affiliated union exercises wide latitude. It may, for instance, on its own initiative sponsor political programs and legislative measures so long as such endorsements do not violate the fundamental principles and policies of the general labor movement with which it is affiliated.

The one major restriction placed upon affiliated unions is that they shall confine themselves to the trade jurisdiction assigned them by their federated bodies; a counterpart of this cardinal rule is that they shall not participate in dual unionism. However, while refusal to abide by the jurisdictional rulings of the federated body means expulsion, it does not mean disintegration of the union itself. If the jurisdiction it seeks does not impinge upon that of the unions already members of another affiliated group, it may transfer to this group (for example, from the AFL to the CIO, or vice versa); or it may carry on as an independent organization, expanding its jurisdiction at will.

INTERNATIONAL UNIONS AND THEIR RELATION TO LOCALS

There are at present 174 labor organizations whose jurisdictions are broad enough to justify their being called International or National unions; 102 are affiliated with the AFL and 40 with the CIO. In addition, there are 6 AFL National Councils and 2 CIO National Organizing Committees which have semi-autonomous status although they are not yet chartered unions. Several of the 32 nonaffiliated unions have at one time belonged to either the AFL or the CIO but for various reasons have withdrawn or been suspended. Most of them, including eight of the railroad unions and six organizations of government workers, have always had an independent status.

¹ Florence Peterson, *American Labor Unions, What They Are and How They Work*, by permission of Harper & Brothers, New York, copyright 1945, pp. 57 ff.

Historically, International unions are amalgamations of local independent organizations. With the establishment of the International, however, the local units surrender their autonomy and much of their independence. Although the degree of centralized control varies considerably among the Internationals, all locals are necessarily subordinate to their International organizations. They must abide by their International's constitution, which specifies the general rules by which the locals are to operate, and they must accept all the regulations adopted by their International's conventions.

The relationship between the Internationals and their locals is somewhat different from that of the AFL or CIO and their affiliated Internationals. While neither the AFL nor the CIO attempts to regulate the internal affairs of its Internationals, the latter exercise direct control over many major activities of their locals. An International's constitution, for example, not only defines the conditions under which a local may be chartered, but it may specify the amount of dues and initiation fees its locals may charge, the requirements for acceptance of members, the procedures for dealing with employers,

and even work rules which the local members must observe.

While the constitutions of the AFL and CIO specify the amount of per capita taxes which their Internationals must pay, neither organization has the power to examine the membership records of its affiliates to see that they have paid in full; the Internationals, on the other hand, have authority to examine the books of their locals at any time and in most cases the locals are required to submit audited reports at regular intervals.

The chief functions of the International are to extend union organization throughout the trade or industry over which it has jurisdiction in order that uniform working standards may be obtained, to advise and assist its locals in negotiating agreements with employers and to see that such agreements are adhered to, and to participate in the program of the federated organization (AFL or CIO) to which it is affiliated. Many of the Internationals maintain staffs of economic and legal advisers to assist their locals as well as the International officers; practically all publish weekly or monthly periodicals for distribution to their members.

The methods by which the International accomplishes its purposes vary according

INTERNATIONAL UNIONS CLASSIFIED BY SIZE, 1944

<i>Membership</i>	<i>AFL</i>	<i>CIO</i>	<i>Ind.</i>	<i>Total number</i>	<i>Total per cent</i>
Under 1,000	8	—	2	10	5.9
1,000 under 10,000	22	5	10	37	21.2
10,000 under 25,000	20	6	7	33	19.0
25,000 under 50,000	20	11	4	35	20.1
50,000 under 100,000	14	9	5	28	16.0
100,000 under 200,000	9	3	3	15	8.6
200,000 under 300,000	2	1	—	3	1.7
300,000 under 400,000	3	2	—	5	2.9
400,000 under 500,000	1	1	—	2	1.2
Over 500,000	3	2	1	6	3.4
Total	102	40	32	174	100.0

to the rules and traditions of the union, its leadership, the condition of the industry, as well as the general economic situation at any particular time. Under some circumstances, for example, the International may deal directly with an employer or an employers' association, although usually the local or local joint board is the active party in negotiating agreements. Some International constitutions require locals to obtain permission from their International officers before a strike may be called; others merely lay down rules such as requiring a majority vote of the members affected before calling a strike. However, if the local expects financial aid from its International in the form of strike benefits, the approval of the International officers is always necessary.

Labor organizations in this country are commonly called "International" unions because most of them have some members in Canada as well as the United States. . . .

INTERNAL GOVERNMENT

Conventions. The supreme authority and sole legislative body of the International is the general convention, composed of delegates from all its local organizations. Because of the importance of the conventions as the final authority on all union matters, the frequency and regularity with which they are held, the distribution of voting power, and the manner in which business is conducted are important criteria of a union's democratic administration. Ever-tighter control by a few officers inevitably results, for instance, when conventions are postponed from year to year, and if the attending delegates are predominantly the paid organizers or representatives chosen by the officers.

Three-fourths of the International constitutions provide that conventions are to be held either annually or biennially and

may be postponed only by referendum vote of the membership. About one-fifth of the Internationals, including the railroad brotherhoods, hold conventions every three or four years, while several, mostly unions with small membership, hold conventions quinquennially.

The constitutions of approximately twenty unions make no provision for regular conventions; in some cases each convention decides when the next convention shall be held, although most commonly a membership referendum is required. Some of the latter specify that a referendum vote to determine the holding of a convention shall be held every year or every two years. A very few provide for a referendum vote as infrequently as every five years. Most of the unions which do not have a regular time for holding conventions are relatively small, although a few are large expanding organizations. Among the latter is the Hod Carriers', Building and Common Laborers' Union whose constitution provides that a referendum shall be held every five years to determine whether a convention shall be held.

Conventions are attended by delegates from all the locals, the number and voting strength depending upon the paid-up membership. The basis of representation, that is, the number of members required per delegate, varies considerably among the unions although the general practice is to allow a decreasing ratio of delegates as the size of the local increases in order to avoid too great domination by the large locals. The presidents and other officers of the locals are customarily chosen to be delegates; in large locals, of course, they are accompanied by other members elected by the membership. . . .

The cost of holding conventions represents a considerable item in total union administrative expenses and is the chief

reason some unions do not hold conventions more frequently. The largest union, the CIO Automobile Workers, which holds annual conventions, estimates that it costs the International and the various locals a total of \$600,000 for each convention.¹

General Executive Boards. Every International has a General Executive Board, or International Executive Council as it is sometimes called, which is responsible for the administration of the union's affairs and which serves as an appellate body on matters referred to it by the locals as well as individual members. Typically, an International constitution says: "The General Executive Board shall execute the instructions of the International convention and shall be the highest authority of the union between conventions, and shall decide all questions of interpretation of the constitution between conventions."

Although not the same in all unions, most General Executive Boards have the responsibility and authority to issue and withdraw local charters and to repeal any local's by-laws which do not conform to the International constitution; to remove any officer for incompetency or non-performance of duties, and to fill the vacancy until the next convention; to take charge of the affairs of any local when it is decided this is necessary "to protect or advance the interests of the union"; to pass upon all claims, grievances and appeals from locals and other subordinate bodies; to reverse or repeal any action of any International officer; to select auditors for the auditing of books, and to prepare the report for the forthcoming convention; to have supervision over the policy and publication of the official journal; to determine the amount and methods of bonding all officers who handle union

funds, and to levy assessments in accordance with the terms of the constitution.

In unions having strike and death benefits, the General Executive Board is usually responsible for these funds and their disbursement. Some unions, especially those which maintain sick and disability programs or a home for aged members, have a Board of Trustees whose members may also be members of the General Executive Board or may be other members elected at the convention. The Trustees are bonded and have power to transact the legal and financial duties in connection with the benefit funds and union property. In some cases the Trustees are given the responsibility for the periodical reports on all the funds of the union which are submitted to the Board and to the convention. It is generally specified whether the Trustees shall appoint an outside auditor or themselves examine the books of the Secretary-Treasurer. . . .

The General Executive Board usually meets two or four times a year to discuss and receive reports of the full-time officers, consider appeals and requests of the local membership, plan ways and means of carrying out the decisions of the conventions, and to prepare the agenda for the forthcoming convention. While the Board acts as a policy and general supervisory body, the day-to-day administration rests with the full-time officers who are, as already indicated, most frequently the President and Secretary-Treasurer. The latter is usually bonded and is responsible for the collection and disbursement of all moneys as well as the submission of financial and other reports to the Board and to the convention. Where the union employs no editor or research staff, the Secretary-Treasurer may also have charge of the publication of the *Journal* and the assembling of data for use in collective

¹ Secretary-Treasurer's Report for six months ending Dec. 31, 1943.

bargaining and for arbitrators and government boards. . . .

ORGANIZERS

An important part of the International union's staff are the organizers, more accurately referred to as "International representatives." They may be permanently assigned to particular districts or regions or they may work out from central headquarters and travel from place to place wherever the union has members or potential members. While the initial function of an organizer is to solicit new members and establish new local organizations, his continuing function is to act as adviser to all the locals within his region with regard to both their internal union affairs and their relations with employers. An organizer is the point of contact between the International Office and the local organizations. It is his responsibility to interpret the aims and policies of the International to the local officers and members and to keep the International officers informed of the conditions and problems of the locals.

In some unions the organizers are elected by the convention and may serve as delegates with voting power. In most unions they are appointed by the General President or Executive Board and are considered staff employees even though they usually, but not always, have been active union members. When appointed, they generally are not allowed a voice or vote at the convention—a measure obviously designed to discourage one group of officers from perpetuating its administrative control.

Research Directors. In response to the growing need for factual data in their bargaining with employers and dealings with legislatures and other government agencies, many Internationals employ the full-time services of economists and statis-

ticians to assist the general officers as well as the locals. Most of the CIO Internationals and an increasing number of AFL, railroad, and other independent unions now have research directors who not only collect and analyze needed economic data but frequently take an active part in presenting their union's case before employers, arbitrators, government boards, and legislative committees. In some unions the research director also promotes and supervises educational activities for union members and especially union stewards.

ELECTION OF OFFICERS

In about three-fourths of the International unions the general officers are elected by the delegates assembled at their regular conventions, while approximately one-fourth of the unions choose their officers by referendum vote of the general membership. In a few of the latter, candidates are nominated by convention but elected by majority vote through referendum. . . .

Whatever the reasons, union practice follows more closely that of business corporations than political governments in that the same persons tend to be re-elected year after year. It has been the experience with most unions, at least with respect to the presidency, that once having been elected to office, the same incumbent usually retains office until retirement or death. In only one union, however, has lifelong tenure been legalized: in 1943 the AFL International Longshoremen's Association amended its constitution and elected its president and second vice-president for life. . . .

TYPES OF UNIONS

To indicate their general type of jurisdiction, unions are sometimes referred to as being either craft or industrial in character. A strictly craft union consists of workers who have undergone an appren-

tice training and whose acquired skills enable them to carry through to completion a particular process, usually requiring manual dexterity with tools. A craft union crosses industry lines since industries producing entirely different commodities or services include some processes or occupations which are similar. In contrast, an industrial union is identified with a particular industry and covers all the workers, skilled and unskilled, who are engaged within that industry.

As a matter of fact, few unions at the present time fall within either of these extreme categories of craft versus industrial organizations, and no two persons would classify existing unions alike. . . .

In general, the trend is toward industrial unionism. So far as bargaining with employers is concerned, joint councils of craft unions are being utilized to an increasing extent. The CIO is definitely committed to organize on a broad basis and many of the former AFL craft unions are now admitting into membership the semiskilled and unskilled workers within plants where formerly they took in only particular skilled craftsmen. In a few cases these semiskilled and unskilled workers, or "production" or "general" workers as they are sometimes referred to, are given the status of "B" members, paying less dues than the journeymen, or "A" members, if they are not covered by the union's old-age and other benefit programs. . . .

Flexible Jurisdictions. Although there are a few examples of pure craft and pure industrial unions, any categorical listing of all labor organizations is likely to be misleading if not inaccurate. Not only do unions readjust their jurisdictions from time to time in response to industrial changes, but the same union may function on a craft basis in some branches of an industry and as an industrial union in others. . . .

FLORENCE PETERSON¹

Local Organizations

Most local unions are subordinate units of Internationals which define their locals' powers and duties and through which the Internationals reach and control the activities of their members. In addition to the locals which belong to the Internationals, there are local organizations directly affiliated with the AFL and CIO, referred to by the AFL as "federal labor unions" and by the CIO as "local industrial unions." These directly affiliated locals are usually confined to trades and industries for which there are no suitable Internationals and as soon as a sufficient number have been organized within any industry they generally form into an International. Sometimes there is an intermediary "council" (AFL) or "committee" (CIO) stage during which the AFL or the CIO, as the case may be, extends parental supervision and assistance before granting an International charter.

Most generally it is the local union that deals with the employers for their members although the parent organization may assist in particularly difficult or important situations. To the union member, his local is his point of contact with the other organized workers in his trade or industry; it is the agency to which he expresses his demands for better working conditions and seeks settlement of his grievances, and through which he participates in the broader political and economic programs of his union.

SIZE AND JURISDICTION

There are at present approximately 60,000 local unions in the United States.

¹ Florence Peterson, *American Labor Unions, What They Are and How They Work*, by permission of Harper & Brothers, New York, copyright 1945, pp. 76 ff.

They range in size from seven to a dozen members, the minima specified in most International constitutions, to memberships of over 100,000. The large majority have a membership of less than two or three hundred; probably about 10 per cent have more than a thousand members, while only two or three have more than 100,000 members. . . .

Locals may be organized on an occupational or craft basis and/or on a plant or multiplant basis. The unit of organization of a local does not necessarily parallel the jurisdictional boundaries of its parent body; e.g., many locals of the clothing and other industrial unions are organized on a craft basis. Locals for each craft covering numerous employers in the same city or area are common in the building, printing, metal and trucking industries. Railroad locals are organized on a craft basis by railroad systems.

In manufacturing, locals confined to single plants are most common in unions whose jurisdictions cover all occupations within an industry. However, large locals covering all or most workers in a number of establishments in the same city and industry are not uncommon. These latter are sometimes referred to as amalgamated locals, the membership in each factory constituting a branch of the amalgamated local. . . .

RELATION OF LOCALS TO THEIR INTERNATIONALS

While subject to the rules of the International, each local has a voice in the formulation of these rules and policies through representation at the general convention. The number of delegates which a local may send to the convention, the highest governing body of the union, is dependent upon its paid-up membership as prescribed in the International's constitution. . . .

Relation to City and State Central Bodies. Local unions are encouraged and sometimes required by their Internationals to join the city and state central bodies belonging to the same affiliated movement. . . . If a local's charter is revoked, it may no longer be a member of these city and state bodies and is thus deprived of the assistance and prestige which ensues from affiliation.

LOCAL OFFICERS

The constitutions of most Internationals specify the various officers which their locals are required to maintain although the choice of individuals to hold these offices and their pay are determined by the locals. Officers are usually elected for one-year terms, although in some unions longer terms up to four years are specified. The elections procedure which locals must follow is usually outlined in their International's constitution and these rules usually require notice to all members of the pending election, open nominations and majority vote in a secret ballot. . . .

If a local officer violates his International constitution or convention resolutions, the International may expel him. For other causes a specified proportion of the local membership may file charges and demand an investigation and trial. An expelled local officer has the right of appeal to his International Executive Board and finally to the convention.

In small locals the elected officers usually continue to work at their trade and receive no regular salary from the union; the presidents and vice-presidents are generally paid a few dollars for each meeting over which they preside, while the secretary-treasurers are paid a few hundred dollars a year for keeping the books.

Although it is more common to have the secretary-treasurer on a full-time basis

than the other officers, a number of larger locals have found from experience that it is better to employ trained bookkeepers than to have members elected from among their ranks to perform the detailed duties connected with the office of secretary-treasurer. Maintaining membership roles and recording the dues of hundreds and thousands of members scattered among numerous plants, and collecting and disbursing thousands of dollars a year, requires a special knowledge which an increasing number of locals are recognizing by employing trained bookkeepers or accountants.

Business Agents. In addition to the regularly elected officer, most unions have so-called "business agents" who are full-time paid employees of the locals with no definite term of office, thus providing continuity to the local's activities. Most business agents have served as officers and have been experienced workers in the industry, and thus know the language of the trade. As employees of the locals, they have no vote but may give advice and suggestions to the membership and elected officials. As a practical matter, the business agent usually exercises a great deal of leadership over the local and its affairs. The functions of a business agent cover the entire field of the local's activities. . . .

Shop Stewards. Strictly speaking, a shop steward is not an officer of the local, although he is the union representative who comes in closest contact with the members. It is his job to see that union conditions are maintained in the shop. Unless there is a check-off arrangement, he may also collect dues. His chief function . . . is to handle the grievances which members have against their employer.

Stewards are not elected in general union membership meetings, but are usually elected by the members in each department of a plant. . . .

MEMBERSHIP MEETINGS

The local union meeting is the medium through which the membership controls the policies and activities of the union. Many International constitutions specify the minimum number of membership meetings that must be held each year. Although the monthly meeting is the rule, two or even more meetings are held every month by some locals. Special meetings are called whenever necessary by the local's executive board and, in some unions, special meetings may be initiated by a petition signed by a specified number of members. . . .

JOINT BOARDS AND COUNCILS

Joint boards and trades councils are combinations of locals having jurisdiction within related trades or the same industry. In some unions they are referred to as joint boards, while in others they are called city or district trades councils. Whatever their title or exact geographical coverage, their primary purpose is to secure united action in collective bargaining and uniform working conditions among the employers within the same industry in a given city or area. . . .

Joint boards or trade councils are delegate bodies composed of representatives from all the locals affiliated with them. Their authority and responsibilities vary among the different unions. In a few instances they are not much more than advisory bodies; most generally, however, they have supreme authority over the member locals and become their governing body. They may have broad powers to determine jurisdictional disputes between locals, to try cases against local unions and officers, and to hear appeals from disciplined and expelled members. Frequently the joint board or council negotiates the agreements with employers and has the sole authority to call strikes.

6. Union Leaders and Members

TRADE unions are essentially political organizations. Their leaders act in response to a variety of pressures placed on them. They attempt to adjust to these so as to retain their own leadership and to prolong and strengthen the institution. Pressures emanate from the membership and from the employer, primarily. They may also flow from rival leadership, rival organizations, the government, consumers, other levels in the union hierarchy, or other trade unions.

One most insistent pressure is from the rank and file, and union leadership seeks to protect itself from this pressure and to a greater or lesser degree is successful in doing so. This raises the problem of democracy in trade unions. How democratic should unions be? Is the determination of policy and action by the membership good for the members, the employers, or the public?

Democracy with frequent elections certainly is not necessarily good for the established leadership, for it provides a means to dispense with their leadership. It may be argued that democracy in unions serves no one except the internal opposition or rival unions. Particularly in crises, which demand quick centralized decisions, a large democratic body is not the most efficient. Centralized control may be necessary for rapidity and unanimity of decisions. From the employer viewpoint, a union leader removed from constant pressure by the membership may be able to make more firm commitments and refuse to consider inconsequential grievances. The disadvantages to the employer are particularly great when democracy has broken down into anarchy.

Yet in a democratic society democracy is desirable and should be attained within all unions. It provides for a system of checks and balances against abuses by the leadership and for greater education through membership participation in the conduct of the organization. In the long run it is more likely to result in socially responsible institutions. But the achievement or preservation of democracy is not so simple as the statement of the goal.

Unions vary in orientation toward the interests of the members, or toward some segment of the membership, or toward the institution itself, or toward its leadership. One recurring problem is the degree to which unions should be responsible to the wishes of the current members as compared with the continuing needs of the institution. This may be illustrated by the difference between union-oriented and membership-oriented demands. The union may be more concerned

with attaining a union shop than with an increase in wages, while the membership may prefer the increased wages. Or again, the union as an institution might prefer the check-off from the employer rather than increased vacations with pay, which the membership might prefer, at a time when the employer is unwilling to grant both. What priority should be given to union-oriented demands as compared with membership-oriented demands? Should the strength of the union be increased for the sake of future membership, even at the loss of current gains, or should greater current gains for the present membership be preferred? Since members flow through the organization, to what extent should the organization serve them and to what extent should it concentrate on its own perpetuation?

Another problem is the part to be played by the leadership. To some extent the leadership *is* the union from the viewpoint of the employer or the government official dealing with it. The leadership also tends to identify itself with the union and to believe that its interests are also the interests of the organization. The dilemma in part is that leaders are essential but that leaders may seek to remain leaders for the sake of the power and income which their position confers. They do not relish going back to the bench or the machine. In the trade-union movement, a separation between the leadership and membership has on occasion occurred not unlike the separation between management and ownership in the large corporation. Bureaucracy has developed in unions.

The leadership, through the union press and other devices, has means of influencing the membership in its selection of officials; and when unions have the power of hiring, as in the closed shop, of controlling membership as well. The farther removed each level of leadership is from the membership, the more effective its insulation from removal by the rank and file. Thus the national leadership of a union, except in the early years of the organization, generally retains its position for the duration of good behavior, or even longer. As the national officers of the unions increase their effective control of the organizations, the possibility of changing leadership is reduced.

It is perhaps of little avail to inquire whether unions should conform to the ideal democracy of the town meeting. The conditions conducive to this type of democracy are rarely found. They are an absence of severe internal and external conflict, a simplicity of problems, a wide diffusion of common knowledge about the problems, and a limitation upon the size of the group. But these frequently are not features of modern unions.

It is perhaps more pertinent to inquire what degree of democracy may reasonably be expected, as unions increase their control over job opportunities. It also may be asked what degree of democracy may be required by society so that the rights and opportunities of individual workers and groups of workers may be protected.

The union and its leadership have relationships, directly or indirectly, with other groups in addition to the members of the organization—the employers with whom it deals, the government, and the consumers, among others. Each group

expects the union to act responsibly toward it, and attempts to exercise pressure toward this end. Rights carry with them responsibilities, and no major institution in a democracy should or can permanently neglect its responsibilities for its rights. Conformity to the accepted standard of conduct is difficult, however, because of the conflict among the obligations. Given the best of intentions, the union cannot always act completely responsibly at the same time toward its members, the employers, and the consumers, for example. Acting responsibly toward its members may mean getting a substantial wage increase. Acting responsibly toward the employers may mean accepting a much smaller wage increase. Acting responsibly toward the consumers might mean obtaining no wage increase at all. During wartime, acting responsibly toward its members alone may mean resorting to economic force to get higher wages and better conditions, but this would not constitute acting responsibly toward the government. The reconciliation of the conflicting obligations is as important as the acceptance of the duty to act responsibly.

The union thus is to be viewed as a political institution subject to pressures from several sources and owing obligations to a variety of individuals and institutions. It acts so as to reconcile these pressures in a way consistent with its survival and expansion. The union is primarily a political not an ethical institution, more concerned with adjusting to pressures than satisfying obligations. From a public point of view, unfortunately, each group is not always able to exercise pressure in proportion to the obligations due it. Consumers, for example, cannot normally exercise pressure commensurate with their rights.

PROBLEM OF INTERNAL ORGANIZATION

SYLVIA KOPALD¹

Democracy and Leadership

Sylvia Kopald (Mrs. B. M. Selekman, 1899-) is a writer on labor relations.

Perhaps one of the most potent factors contributing to the hold of leadership lies

¹ Sylvia Kopald, *Rebellion in Labor Unions*, Boni and Liveright, New York, 1924, by permission of Liveright Publishing Corp., pp. 13, 14-18, 20-22, 25-26, 34-35, 40-44.

in the "political indifference of the mass." Intellectuals, radicals, practical labor agitators and all others whose work or interest brings them into contact with the masses testify time and again to their utter lack of interest in routine political activity. Labor men will tell you at length of the pitifully poor attendance at local meetings. How, they ask, can we rely upon the masses to tend to their own affairs when nothing we can do will bring them to the meetings where decisions are made? . . .

Very natural influences are at work in the unions to render the members cool to routine politics in spite of their direct

importance. In the first place most of the men are workers whose jobs fill their days and leave them tired and amusement-hungry at night. Politics are a wearing thing, and often exceedingly dull. Workers, moreover, are intensely human people. Most of them have families and all the ties and interests and vexations which family life entails. The younger men and women are occupied with the fascinating business of sex—parties, calls, outings, dances, courtships—and when “beau night” and local meeting night conflict, “beau night” is almost sure to win. In the cities, the movies and similar amusements draw men from the “meetings.” Because the great majority of workers must do the serious day-to-day business of the world, and because the pressure of individual interests is so strong, union leadership becomes a necessity. Almost inevitably the management of organization affairs passes into the hands of the active few and the professional politicians. The mass of the membership usually feels the need for leadership and is glad to have someone look after the collective affairs.

It would seem that this very unwillingness to take any of their precious time from their own interests makes the members feel grateful to those who speak and write and act in their name. Perhaps one should say that they feel grateful whenever they stop to think about it. And they usually think about it at election time, and express their gratitude by reelection. There can be little doubt that long terms at the union helm derive in some measure from the ultimate members' conviction that “He's a good fellow who's always fought hard for us. How do we know what these new ones who talk against him so much will be like?”

The qualities of temperament and personality necessary to push a man from the mass to a position of leadership are usually

of a kind that help him to maintain his place once he has won it. The labor leader sometimes possesses all of the qualities requisite for democratic leadership; he must possess at least some of them. He must be able to speak easily and forcibly. Most of the men who have risen to outstanding positions in the labor or socialist movement have possessed a marked degree of oratorical skill. Journalistic ability frequently can make up for the lack of oratory; in these days of newspaper and magazine it is always useful. The democratic leader must know his own will and be able to bring less powerful wills under its control. He has usually a strength of conviction and a strong belief in his own ideas (be they ideas on the efficacy of craft unionism or the dictatorship of the proletariat). His very position of leadership and continuous interest in organization matters give him the advantage of wider knowledge. Frequently he is—and must be—the typical politician, the hail-good-fellow-well-met type who knows how to attach men to his own interests. It seems quite probable that leaders, too, are born and not made.

Confronting these naturally powerful personalities stands the mass of the political electorate,—busy with their own affairs, far less certain of their own opinions upon immediately practical questions, condemned by the very nature of the situation to know less of the facts of organization issues than do the leaders. In a union, moreover, the membership in addition to all these characteristics is a more or less shifting thing. Increasing and decreasing with the movement of the industrial cycle, composed of people of varying ages and of varying interests, the membership as an entity possesses little of the constancy that characterizes the leadership.

The combined influence of all these factors—of the need for organization and

the delegation of power and of the psychological differences between leaders and led—soon produces what have been called professional leaders. As an organization increases in scope and power, as it becomes more conscious and certain of what it would accomplish, the job of "carrying on" becomes more intricate and time-consuming. Gradually the leader who has been giving his off-moments to organization affairs finds that off-moments are insufficient. The men behind him at the same time feel the need for such work as his and the indispensability of the man who is doing it. Consequently they must sooner or later free him from the need of working at a trade job by paying him a salary for devoting his whole time to the organization. The history of trade unionism records clearly this transition from volunteer to professional leadership. . . .

STABILITY OF LEADERSHIP

The causes for this stability of democratic leadership are fundamental. The force of collective inertia, the difficulty of overcoming general political indifference, the compulsions of tradition and political gratitude and the inherent tendency to venerate and dramatize leaders all play their part. But still more important, stable leadership answers a basic need. An organization seeks always to win its leader's whole loyalty. No man can give his best to a job which is insecure. Moreover the leader usually possesses certain important technical knowledge which enables him to "deliver the goods." The longer he retains office, the more proficient and competent he becomes. He is a specialist in the true sense of the word and men interested in getting specific results deal carefully with their specialists. Thus it is that the leaders stay in office year after year.

However deep-seated the causes for sta-

ble union leadership may be, its results constitute one of unionism's most difficult internal problems. For stability of leadership leads almost inevitably to the mechanization of leadership. Men who retain office over long periods of time find it easy to create a "machine." And very soon the "steam roller" appears at conventions and meetings, flattening out opposition, balking protest.

The methods by which a machine is created and maintained are more or less familiar and standardized. The very powers vested in the leader help him create his support. The powers of appointment, of presiding over meetings, of transacting affairs place him in a position from which he can win official following by "rewarding friends and punishing enemies." As the organization grows the creation of new offices becomes necessary. The leader usually desires to have as many as possible appointive. Nepotism appears; and, soon after, the machine. In conventions, during elections, at meetings the machine presents a united front to a divided mass. . . .

The mechanization of leadership extends to the union press. The editors of the union paper usually are appointed and removed by the union Executive. Naturally editorial policy, editing of news, the very flavor of the paper become a reflection of the Executive viewpoint. Seldom does the press pass into the hands of the rank and file. The columns of the paper, almost as a normal thing, are devoted to a glorification of the leaders and a denunciation of their opponents. And thus, the press, put into the hands of the leaders by the power of mechanization, becomes one of the most potent weapons for the maintenance of the machine.

Just as long tenures of office tend to produce official machines, so official ma-

chines tend to produce bureaucracies. It is not so much that the administration of organization affairs passes into the hands of endless bureaus and the meshes of red-tape, but rather that the organization and the maintenance of the machine become ends in themselves. The desire to extend the ramifications of the machine grows directly from the need of presenting as wide a front as possible against popular upheavals. The increase of official power and official business becomes the next concern of the bureaucracy. . . .

Thus the separation between leaders and rank and file created by the very need for and nature of organization and of men goes its way through stability of leadership, mechanization, bureaucratization, to the creation of a governmental organization opposition to which becomes rebellion and revolt (most significant words). . . .

REASONS FOR DOMINATION

It is almost a natural and certainly an entirely understandable development—this problem of democracy in the union. Its functioning in the union differs little from that in any other democratic organization. Nevertheless it should be recognized that certain aspects of union organization add to the general difficulty. Organization draws the broad outlines of this union problem; the nature of union organization emphasizes and points it.

For a union is not a single thing, but an organization with a threefold character. It is, in the first place, a business organization. It seeks to transact the definite and complicated job of selling labor power to the employer. This function involves it in an intricate series of true business processes. It must keep track of its members, maintain files, card catalogues and voluminous correspondence. It must negotiate with the employer, sometimes draw

up trade agreements, and just as any other merchant with something to sell, must attempt to get the best terms possible, keep in touch with the trends in its industry, organize the facts of its case, etc. It must, finally, keep its own organization intact and maintain a complex internal business structure.

In addition to its business character the union functions as a fighting organization. Indeed this aspect of its nature is the one to which most attention is given. Pursuing a day-to-day program (better wages, shorter hours, better working conditions) as well as some ultimate aim (whether explicitly or implicitly) the union undertakes strikes and boycotts and engages in all the various actual clashes of the industrial conflict. Its pursuit of some ultimate aim has been leading it recently into many unwonted paths. Workers' education, publicity, control schemes, labor banking, research have been added to the union program, deepening its interests and at the same time still further complicating its operations.

Finally, the union is a political organization. It obtains its experts and leaders chiefly through election and adheres to all the forms of political democracy. The political aspect of union functioning sets up certain relations between union members which resemble those established between the ward captain and his party membership. All the manifestations of vote catching, cliquism, factionalism, etc., appear in the union structure.

Now consider how this threefold character of union organization emphasizes and sharpens the basic problem of democracy. For the advance of both its business and fighting program the union needs a large membership. The closer it approaches to a one hundred percent control, the sooner it can enforce closed shop conditions. With a closed shop it can demand better prices for the labor power it repre-

sents. Just as the trust sought by combination to control the industry and thus the sale of its products, the union must seek to abolish all competition. Similarly strikes which can call out all the men involved frequently have a better chance of victory than those which can not. The very power behind a strike threat backed by a one hundred percent union can often bring the other side to terms. Thus these two basic aspects of union functioning demand as large a membership as possible. But the larger the membership, the more does politics, the third aspect of union functioning, get in the way of all else. For it goes without saying that the larger the democratic unit, the wider the breach between leaders and led. The mechanisms of direct democracy become unwieldy, the "politician's" tactics more successful, the machine more uncontrollable. It is a matter of experience that a large mass is more inert, more suggestible, more heterogeneous and therefore more fundamentally conservative than a small.

The fighting program of union organization, moreover, introduces into the general union attitude something of the psychology of warfare. Solidarity and the need for a "united front" make even differences of opinion on the matter of accepted policies seem traitorous. Here instinct in such times drives the mass compactly together and any who refuse to follow in the tracks of the herd are trampled under a myriad determined, angry feet. During such periods those in power can dispense with even lip-service to democracy, and suppressive laws, mob sentiment, and the pressure to conform—partly manufactured, partly spontaneous—give full rein to the ever-present oligarchy.

But for the union, it must be remembered, there is always "an enemy on the front." Indeed, the struggle in which it is engaged is carried on through so many

different channels,—the industry, the court, the legislature and sometimes even the "battlefield" (as, for instance, Ludlow, Logan, Mingo, etc.)—that the sense of actual warfare lies always on the worker's "fringe of consciousness" and is, therefore, easily awakened. Consequently any internal conflict, whether between established leaders and rank and file or between established leaders and aspirants to leadership, can be met by the machine with a stimulation of war psychology. Indeed the leaders frequently utilize these tactics in such situations. The union must be preserved; opponents are disrupters; their actions are being hailed by the employers; we may leave judgment upon their treason to the members. . . . And so on.

ROBERT F. HOXIE¹

The Leaders and the Rank and File

While unionism in its ultimate effect on industrial organization and conduct of industry is democratic, in the sense of its effort to take from the hands of employers autocratic feudalistic control and put a share of the control and conduct into the hands of the workers—tending to democratic industrial revolution—unionism in its own organization and conduct is hardly to be called democratic. At least this is true of the business union type and successful unionism. Power in both cases centers in the hands of officers and leaders. They determine immediate policies and tactics to a very large extent. And this

¹ From *Trade Unionism in the United States*, by Robert F. Hoxie, copyright 1920 by D. Appleton-Century Company, Inc., New York, reprinted by permission of Appleton-Century-Crofts, Inc., pp. 177 ff.

seems to be the natural and necessary outcome of the situation. While unionism as a whole is the spontaneous outcome of the conditions, needs and problems of the workers, the rank and file in general are not in a condition to formulate methods for meeting needs or solving problems, and, apart from the direction of competent leaders, have not the intelligence to combat employers successfully. Therefore, unionism, as a fact, in its constructive aspects is taught to the rank and file by the leaders. Only when the union is weak and the leaders unsuccessful do the rank and file take control. . . .

There is a real contest between the leaders and the rank and file, especially in the case of business unionism. So long as the union is small and the officers work at the bench, there is no friction, but when the union grows and the officers give up work and become paid officials and devote their whole time to official duties, then friction between the leaders and the rank and file almost inevitably arises. The farther up we go in officialdom the less sympathy and mutual understanding we find. The leaders for the most part reciprocate the feeling of the rank and file. Their attitude is likely to be one of contempt mixed with fear. One trade union leader says that the rank and file are ignorant, have to be wheedled, and, when that fails, driven by physical force if necessary. Even leaders who pride themselves on keeping close to the man at the bench speak contemptuously of the crowd. "The successful leader," one of them says, "must be a leader both intellectually and physically. He must be able to face a crowd that suspects him and be able to convince either by argument or force. He must be able to outforce any opposition from the 'de, dis, dat' rank and file."

The causes of the contest between the leaders and the rank and file are partly

inherent in the situation. The rank and file are ignorant and impulsive; they do not know anything about business and market conditions and trade. They think all business is making enormous profits, and that there is no limit to the amount they can squeeze out for themselves if strong enough. Sometimes they suffer until beyond endurance or are aroused by leaders and then break out, wildly demanding the impossible. Their environment tends to make them radical; they have nothing to lose—no responsibility. All the conditions, on the other hand, tend to make the leaders conservative. Responsibility soberes them. As soon as they engage in negotiations they realize the power of the employers, and the limitations in the ability of employers to meet demands. Moreover, when the leaders get away from the bench, their environment becomes more of the character of the employer's than of the worker's. They no longer deal with the physical, but with the spiritual, in negotiations and in the handling of men. Almost inevitably they develop something of the employer's viewpoint and feeling, and thus become unable to see things from the workers' angle and to feel with and for the workers as before. The worker is something to be manipulated. But partly, also, the contest is due to the character of the men who get into power in the unions. Very generally it is not the good worker, but the big, jolly, hail fellows well met, natural born politicians, possessed of considerable administrative ability, men with the latent instinct of the boss and employer, men who love power for its own sake. Moreover, the leader who rises from the rank and file at once encounters temptations hard to withstand. Many go wrong because they cannot stand prosperity. . . . They may fall victims to the "mahogany table."

HERMAN FELDMAN¹

Attempt at "Pure Democracy" through Meetings

Herman Feldman was Dean of the School of Business and Civic Administration, College of the City of New York; before that he was professor of industrial relations, Amos Tuck School of Administration and Finance, Dartmouth College.

A well-known union leader with long experience in directing labor organizations has been accused of being an autocrat. He retorts that those who make this charge are either naïve theorists or inspired by malice. He writes:

"The theoretical outsider talks of 'democracy' in unionism as glibly as if the failure on the part of leaders is due solely to a desire for autocracy. On the contrary, many union leaders would prefer democracy if they could make it work. What they find is that to a certain extent democracy of management is unworkable and often detrimental to the interests of the workers. Starting with a realization that democratic methods won't function quite as planned, they gradually get to rely more and more on independent initiative and perhaps in time acquire an aggressive autocracy in a manner that seems compatible with efficiency as they conceive it."

He then describes what he states is a typical experience which occurred earlier in his career and which illustrates the difficulties of handling the union mem-

bership. A two-year contract with the employers is about to expire. The union leaders draw up terms that the members want and have these demands approved at a mass meeting. They then begin negotiations with the committee of employers of the trade, and three weeks or more are consumed in conferences. But the situation is at a standstill because apparently the employers won't yield. A strike may have to be called after all.

The union committee feels that the best thing to do is to continue negotiations for several weeks more so that eventually a compromise will be reached. On the other hand, it may be impossible to agree, and a strike call may have to be issued at any time "for its moral effect." Now the question is whether the officers should continue their negotiations in secret, leaving the union wondering what is going on, or call a mass meeting and explain the situation. He writes:

"We call a mass meeting. The following occurs:

"1. The meeting is announced for the best time, 5:30 P.M., a half-hour after work. Most of the workers arrive late and the meeting does not begin until 6:30.

"2. The hall secured, the best available, is long and narrow. One officer of the union, a former politician with a loud voice, makes himself heard. But the speakers who rise from the audience insist upon talking inaudibly, and the room becomes noisy with the buzz of conversation.

"3. Neurotic types of workers get up to voice their opinions on things foreign to the subject at hand. The chairman is almost exhausted with constant poundings of the gavel and his attempts to get order. He begs, cajoles, threatens, insults the crowd, but the noise continues.

"4. Some of the impractical, uncompromising, Communist workers, who believe only in fighting, assail the officers, declaim against the employers and raise trouble, without sticking to the point at issue.

¹From Herman Feldman, *Problems in Labor Relations; A Case Book Presenting Some Major Issues in the Relations of Labor, Capital, and Government*, copyright 1937 by The Macmillan Company and used with their permission, pp. 245-47.

"5. Most speakers berate the committee for having come to them with nothing but talk and no special issues to decide or no actual strike to engineer.

"6. Straw votes on various issues are asked for; but by this time the crowd becomes impatient and more than half of the 2000 workers present have left.

"7. The demagoguish types of workers use the time for oratory and for urging an immediate strike.

"8. After four hours of terrible wrangling the meeting breaks up in disorder."

The union leader's letter concludes as follows:

"At the end of that meeting I decided that the bunch could go to hell before I would call another meeting to report to them or to get their advice. I decided then that when I called on them again I would have some definite proposition I wanted ratified. Instead of exhausting myself trying to hold that mob of hyenas in check and giving the wild ones a chance to rouse the crowd, I will have my own speakers planted and I will recognize chiefly those who I think will talk common sense. Instead of wasting time and energy in such impractical procedures, however, we run the union from headquarters as far as we can."

A. J. MUSTE¹

Army and Town Meeting

A. J. Muste (1885-) is a German-born economist, formerly president of Brookwood College. He was an active

participant in and critic of the labor movement in the United States.

In the first place the trade union seeks to combine within itself two extremely divergent types of social structure, that of an army and that of a democratic town meeting. The union is a fighting instrument and exhibits always more or less definitely a tendency to take on the characteristics of armed forces and warfare in its structure and activities. There are generals, spies, military secrets, battles, armistices, treaties, breaches of diplomatic relations with the enemy, and so on. The union seeks to assert in industry and over its actual and potential membership those prerogatives of a sovereign state, the right to conscript and the right to tax.

But the trade-union army elects its own generals, elects them in many instances annually or on the eve of battle. The army votes on the declaration of war and on the terms of armistice and peace. The reports of confidential agents are made to large committees, on which not infrequently the confidential agents of the enemy occupy prominent positions.

Now this situation is bound to continue indefinitely. Whatever be the manner of warfare, the union must wage war to gain and to maintain tolerable conditions for its membership. It must develop something of the solidarity, discipline, and capacity for swift striking that an army has. On the other hand, the state and other agencies mainly concerned with the maintenance of the status quo in industry will take good care to insist that the union must remain "a purely voluntary agency" and to deprive it of the right to use instruments of coercion such as they themselves employ.

For its own part the trade union is the means through which its members, individually and in groups, seek release from the monotony and regimentation of mech-

¹ A. J. Muste, "Factional Fights in Trade Unions," from *American Labor Dynamics*, edited by J. B. S. Hardman, copyright, 1928, by Harcourt, Brace and Company, Inc., pp. 332-37.

anized industry, and the opportunity for self-expression.

Looking toward the future, the union conceives itself an essential organ for carrying on industry democratically in such a way that the personalities of the workers are not obliterated in the process. Obviously, designed to meet such present needs and to fulfill such future functions, it is barred from developing in its members the unquestioning obedience, the iron discipline, the fixed routine, that characterize an army.

BOTH FEATURES PERMANENT

Both an army and a town meeting the union is therefore bound to remain. Imagine the conflict in the soul of a union official who must have the attitude and discharge the functions at one and the same time of both a general and a chairman of a debating society. At a crucial moment the general will call a mass meeting of his army, explain their own and the enemy's situation, lay the plan of campaign before them in detail, and seek by the arts of the popular orator to win their assent to his program; and at the same time the chairman will step out of his proper role, take on the air of a general, "put over" on the meeting what he deems essential to the very existence of the organization in the crisis—and the general will know himself for a poor general and the chairman will know himself for a very undemocratic chairman, and the rank and file may curse him alternately for being a timid general and a ruthless chairman.

On their part the rank and file will always be carrying about a similar psychological conflict in their attitude toward the union. They will demand "results," whatever the means by which they are obtained, and at the same time will feel sore and balked if the union does not offer their egos a free field for assertiveness in

all the directions from which they are shut off by working and living conditions in our industrial system.

The situation is truly serious. The impossible is demanded of the union and its leadership; the impossible is eagerly sought by the membership. Yet there is no solution to the dilemma. As in so many other situations with which life confronts human beings, there is no cut-and-dried answer to be found which once and for all settles the case. The solution consists in making, from time to time, adjustments which synthesize two quite incompatible functions. Nothing is further from a solution than the simple device of cutting out or ignoring one or the other of the terms. The union must remain both an army and a town meeting. It must at the same time both fight and discuss.

There is a second contradiction inherent in the very nature of a union which to my mind further helps to account for the frequency and bitterness of the internal strife with which it is torn. On the one hand the union accepts the existing order of business and industry, and then it bargains with the employer for wages, hours, and conditions of work for its membership. Thus it is a conservative force; it is itself a vested interest; it has a stake in the existing order.

On the other hand the union flatly refuses to accept the existing order and is a constant threat to it. It stands for the closed shop, but with the closed shop what has become of freedom of contract? If it really has the power, is there any reason to think that in its demands for wages—"more and more and more"—it will stop short of eliminating speculative profits altogether? Will not the members, landless, tool-less, status-less, insist on using the union to attain status, citizenship, control in industry? From this standpoint the union is of course revolutionary.

Be it observed in passing that when

we speak of the union as conservative or revolutionary, we are not speaking of what the union says about itself in its preamble or in its official proceedings. We are not speaking of a conscious philosophy, but of the actual functions performed by the union and the attitudes developed in its membership. When the National Association of Manufacturers dubs the AFL subversive and talks about unionism and Bolshevism in the same breath, it is doubtless, superficially speaking, ignorant and stupid, but in a deeper sense it may be said to fight even pure-and-simple trade unionism not because it misunderstands the situation, but because it understands the situation only too well. Many a "conservative" union acts on the proper occasion in a very revolutionary and class-conscious fashion. On the other hand the most "radical" union, provided that it functions continuously in an industry at all, will be found, under whatever camouflage, bargaining collectively in the most approved business fashion with the best of its sisters whom it denounces as yellow and counter-revolutionary. Also be it noted that when we use the term "revolutionary" we are not necessarily implying civil war, dictatorship, extraordinary tribunals, etc.

On the one hand, then, the union is a business enterprise. It buys and sells on the market. It is a job trust, an insurance society, perhaps a banking house. It must adapt its structure to this bargaining function, and it must develop in its leaders and members the attitudes implied, which are not very different from those required of the managers of any capitalistic business enterprise. On the other hand there is required the psychology of idealism, utopianism, agitation, radical criticism, social pioneering.

This dilemma also is obvious and obviously painful. There is no real escape from it. In practice the dilemma is softened

temporarily in various ways. Sometimes the more idealistic functions are mostly handed over to a political labor party, while the trade union retains the more strictly business functions. Every national movement such as the AFL, for example, manages to retain the affiliation of certain bodies tending in one direction and of others tending in another. The same is true within each international union to a greater or lesser extent. Thus each function and tendency finds a degree of release without coming into too close and constant contact with its opposite. Similarly, specialization develops among the officers of a union—one becomes a business man, meets his fellow business man, the employer, and strikes a shrewd but "fair" bargain with him; another union official harangues the employees in a mass meeting held at the same time and fires them with determination eventually to eliminate the boss and "take over industry."

But withal the difficulty is softened, not eliminated. The union must be constructed with a view to two very divergent ends: Its officers must be dual personalities. Its members seek the impossible. All accordingly have "divided souls," and they seek relief from the pain of their inner conflict in frequent and bitter internal conflict with each other.

It seems plausible, by the way, that one of the reasons why these factional struggles often afflict most terribly the very unions generally regarded as the most progressive is that these unions have tried in some degree, though inadequately, to educate their members both with regard to the facts in modern industry and society and with regard to the history, functions, and problems of the labor movement. The membership in such unions is accordingly more conscious of inferior status, makes more demands on the union, and at the same time is somewhat more clearly aware of the dilemmas the union confronts. They

can not therefore take things as they come, as is often the case among less sophisticated workers. To them the issue between "lefts" and "rights" seems inescapable and is deadly serious.

In the third place the workers as a group are persecuted and discriminated against. They are regarded as inferior. They are subjected to numerous limitations even in countries where there is nominal equality of opportunity. The trade union itself is always at the outset an illegal organization. In America it is still subject to all sorts of legal restrictions on its activities. In the popular mind a trade-union leader is either a Bolshevik with a bomb in his pocket or a grafter of the Brindell type. No matter how far removed he may be from either type and no matter how capable he may be, it is seldom that he occupies the same place in the public esteem that would be accorded to a business or professional man of comparable ability and carrying similar responsibility.

Now it is a commonplace of social psychology that any group so situated—having inferior status, proscribed, persecuted, frustrated in the achievement of its aims, prevented from uniting effectively to fight its foes—will turn its energies in on itself, take out on itself the enmity and bitterness it is prevented from applying effectively to its foes, and so develop extreme and virulent forms of factionalism. This analysis has been verified repeatedly in the history of racial, national, and religious minorities; and any one who has even a passing acquaintance with the history of the labor movement can think of instances which provide additional verification.

In other words the weakness of the union's legal and social position is the cause of factionalism, not factionalism the cause of its weakness.

Because, then, the trade union must seek to develop the structure and attitudes of an army and of a discussion group, of a

business enterprise and of a revolutionary movement, and because it is a proscribed and persecuted group, we must expect in the nature of the case that there will be a constant tendency for its divergent elements to break forth into factional strife.

BENJAMIN M. SELEKMAN¹

The Union Leader's Dilemma

Benjamin M. Selekman (1893-), Kirstein Professor of Labor Relations, Harvard Graduate School of Business Administration, has had long experience in the arbitration of labor disputes.

The labor leader's central objective seems to stand forth, simple, clear-cut, dynamic: improvement in conditions of working and living for his members. In order to achieve that objective, however, the good union executive must fulfill a variety of conflicting roles. He must be the potent commander of a fighting organization; the rallying leader of a fraternal society; the democratic director of a political association; and the efficient administrator of a business—of what amounts to a marketing cooperative, a group of men acting together to sell their own product, labor. These four functions of the job do not draw for effective performance upon the same patterns of membership response or the same structure of leadership. In particular, the business function differs radically from the other three in its requirements.

The membership loyalties and group

¹ Benjamin M. Selekman, "Wanted: Mature Labor Leaders," *Harvard Business Review*, Vol. XXIV, No. 4, pp. 409 f.

cohesiveness needed in a fighting, social, and political organization can be built with tempting ease by militant action and appeal to militant motives—the militancy that is so characteristic of the organizing stage of development. This very militancy, however, gets in the leader's way when he is engaged in joint dealings with management under contracts—i.e. in administrative matters—and thus hampers the discharge of the business function.

Again, secure tenure of office emerges almost ^{as} a prerequisite for effective discharge of the business function. It is generally recognized that effective negotiation and administration of trade agreements call for a high order of skills. In his dealings with management, the effective union executive needs real business expertise, which he can acquire only with experience. The necessary experience in turn can be accumulated only by continuing tenure in office. Yet this essential security of tenure

finally can be won only by political expedients—by the “machine politics” that are at odds with the internal democracy required for the political health of the union, as well as with the feelings of personal involvement and identification at the core of the fighting and social functions.

Thus the innately contrary pulls of the job itself propel the union leader to militancy when his leadership is insecure, and to the power relationship of union “dictatorship” when he has won security. Three factors re-enforce this propulsion: (1) the role which conflict situations play in internal union affairs; (2) the heterogeneity of the whole union structure, with interunion rivalries often dictating the course of action which individual unions must follow; and (3) the unions' suspicions of management, fortifying their belief that they still are engaged in a struggle whose issue is their very existence and continued growth.

UNION RESPONSIBILITY TO MEMBERS

AMERICAN CIVIL LIBERTIES UNION¹

A “Bill of Rights” for Union Members

The encouragement of democratic standards in unions should be the obligation of the labor movement itself; and every possible pressure should be exerted from within and without the labor movement

to induce unions to measure up to such standards. As a guide to that process, we present the following as a basic Bill of Rights for trade union members, couched in terms of the rights of an industrial worker.

1. Membership in a trade union appropriate to his trade or calling and to his place of residence. This right is not to be denied [by the following unfair practices by labor organizations:]

(a) to refuse membership to, or to expel, or segregate, any person by reason of such person's race, creed, color, sex, national origin, opinion, or lack of United States citizenship;

(b) to fine, suspend, expel, penalize, or

¹ Adapted from American Civil Liberties Union, *Democracy in Trade Unions*, 1943, and *Memo-randum to Support the Bill Amending the National Labor Relations Act to Promote Democracy within Labor Organizations*, 1947.

otherwise discipline any person or local without reasonable cause or without a fair hearing;

(c) to fine, suspend, expel, penalize or otherwise discipline any person or local for participation or refusal to participate in any political campaign or political activity, including any primary campaign, party convention or referendum election, or proposal with respect to any constitution, constitutional amendment, charter, charter amendment, legislation or ordinance proposed in Congress or in any state or city, except such proposals as may affect the economic activities of labor organizations;

(d) to discriminate unfairly against any member in the procurement of employment or with respect to seniority rights;

(e) to fail to hold elections of its officers or elective personnel at least once every four years, or more frequently if so provided by the union constitution, by-laws or regulations;

(f) to fail to conduct elections by secret ballot free from intimidation, or unreasonably to interfere with nominations or with the campaigns incident to such nominations or elections;

(g) to subject any member to any unreasonable rules or handicaps or to any action not imposed equally on all members in connection with any participation in the internal affairs of the union, including but not limited to the right to vote and the right to the floor at union meetings or the right of any member to express himself freely concerning the officers and affairs of the union;

(h) to fail to distribute accurate and comprehensive itemized financial reports to its members;

(i) to require excessive initiation fees or to refuse to accept any members at any time without just cause.

JOEL SEIDMAN¹

Responsibilities of Unions to Members

Joel Seidman (1906-) is a writer on labor affairs and assistant professor at the University of Chicago.

The problem of democracy in the American labor movement can be understood only in the light of its decentralized structure. Each national union, whether AFL, CIO, or independent, is a law unto itself, typically resisting any interference by any outside person or group in its internal affairs. The national unions vary widely in their structure, some placing emphasis upon the autonomy of affiliated local unions and others centering power and responsibility in the national officers. In general the tendency has been toward the former attitude in the earlier years and to progress steadily toward the latter, in much the same way that the federal government of the United States has grown in power at the expense of the states. If a union functions in an industry in which competition is national, its policies likewise must be worked out and applied largely on a national scale. In such a union the tendency will be to build a large national treasury and to give the national officers wide control over strikes and agreements, with power to discipline recalcitrant local groups. Such powers may lead either to efficiency or to tyranny, depending on the type of men in office.

Real and formidable obstacles must be overcome, moreover, if unions are to be run in a democratic fashion, for some

¹ From *Union Rights and Union Duties* by Joel Seidman, copyright 1943, by Harcourt, Brace and Company, Inc., pp. 21-22, 31-32, 35-36, 36-38, 40, 41-44, 46-48, 50-51.

national unions include more than half a million members, and some local unions, as in the automobile industry in Michigan, embrace tens of thousands of members. A political science of the labor movement is needed, to study its structure and appraise various devices in the light of democracy and efficiency.

If a local union is to be conducted democratically there must be regular meetings, fairly conducted, with opportunity for members to express their views freely and propose courses of action. Union minorities must be allowed full freedom of expression, without blocking or unduly delaying the action desired by the majority. Elections should be held regularly, with opportunity to all to be candidates, with voting secret, and ballots honestly counted. The membership should have final control over the calling and ending of strikes and the acceptance of agreements. Members should be free to oppose the union officials without fear of excessive fines, suspension, expulsion, or discrimination in the distribution of jobs. Disciplinary proceedings should be permitted only for violation of well-defined and generally accepted union principles, and in all such cases trials should be fair, the accusers should not be the judges, penalties should not be excessive, and prompt appeal to an impartial tribunal should be allowed. The national union, in turn, should hold regular, frequent, and properly conducted conventions, with power distributed among the national organization, the locals, and the members so as to permit effectiveness in administration and collective bargaining, while protecting the members against autocracy and oppression. . . .

Though unions need funds to conduct organizing drives and strikes, issue publications, pay salaries, rent offices, and meet a host of other legitimate expenses, they should seek to keep dues and assessments to the lowest sums consistent with the

efficient functioning of the organization. No figures on the total sum collected by American unions are available. The constitutions of national unions customarily fix the monthly per capita payment from locals to the national treasury, leaving the locals free to add whatever sum they choose for local expenses. In industrial unions and among the poorer paid workers in general the monthly dues typically range from one to two dollars, of which from thirty cents to a dollar usually represents the per capita tax due the national office. Among craft unions the dues are usually between two and four dollars monthly and in some cases mount to \$10 monthly or even more, though from such dues, unless the union is controlled by racketeers, large sums are usually set aside to provide various types of benefits. Moderate benefits are frequently paid even by unions with low dues. In some instances those members who wish to participate in old age pension, sick, or death benefit funds pay additional sums for those purposes, whereas in other cases everyone participates by virtue of paying the regular dues. . . .

In return for their dues the union members expect and should receive a variety of services. Most fundamental, of course, is representation in collective bargaining with employers. Workers expect that through union organization they will be able to obtain higher wages, shorter hours, better working conditions, and a higher degree of job protection than they would otherwise enjoy, chiefly because of the greater power that organization brings but also because through a union they can develop highly skilled bargainers and employ the services of competent lawyers and research workers. Once the contract is signed, workers expect, under its provisions and through their union organization, to set up adequate machinery for the speedy and satisfactory adjustment of

grievances. The union, in addition, gives its members a voice in the management of their industry, and it enables them to influence legislation affecting their interests as workers, as consumers, and as citizens.

Through the unions, moreover, workers frequently attempt to solve a variety of other problems, connected in some way with their employment or entirely remote from it. In dangerous trades the union offers machinery for obtaining insurance that otherwise might be denied, except at prohibitive rates. Whatever the occupation, indeed, life, health, or other insurance can often be obtained much more cheaply through the union than through a commercial agency. Unions may also provide educational and recreational facilities, help solve health or housing problems, or provide the common interest around which a credit union or a consumers' buying club can be formed. In times of unemployment the union machinery may be used to assist workers in their dealings with the relief agencies or the unemployment compensation authorities. Indeed, members may come to their union with any problems that they face, whether as a group or individually. . . .

Since a union is free to determine the qualifications for membership it can exclude undesired groups from union benefits by writing the prejudices of its members into its constitution, ritual, or by-laws, and in a completely organized industry operating under closed shop contracts this bars them from employment. In some instances aliens have been barred from union membership, and in other cases Asiatics. A number of unions, particularly in the last century, refused to admit women, and strikes against the employment of women occurred in various industries. Usually the unions following this policy have been forced to admit defeat, and have changed their rules to permit

membership to women after the latter had won a fairly important place in the trade. Other unions have included a religious qualification for membership. The wire weavers, for example, admitted only Christians; the railway carmen limit membership to those who believe in the existence of a Supreme Being, and the masters, mates and pilots require each applicant to be "a firm believer in God, the Creator of the Universe."

Most widespread and most shameful has been the discrimination against Negroes. In a 1930 publication of the National Urban League there is a list of 24 national and international unions, 15 of them of railroad workers, that exclude Negroes through provisions in their constitutions or rituals. Ten of these 24 unions were AFL affiliates. Other unions admit Negroes to membership but discriminate against them in a variety of ways, as by restricting their opportunities to advance to skilled work, segregating them in Negro locals, or making them ineligible to hold office or to serve as delegates to conventions. In other cases in which the national union does not discriminate it permits its local unions to do so, with the result that Negroes are admitted on terms of equality with whites in some areas, segregated into Negro locals in others, and completely barred from membership in still others. There have even been instances in which Negro workers had to be discharged from jobs that they had held for years when their employer signed a closed shop agreement with a union that barred them.

These restrictions are found almost exclusively in certain craft unions. In industrial unions it is rare to find discrimination, though some instances have occurred. This reflects the more progressive spirit so frequently found among lesser skilled workers, and is at the same time a recognition of industrial realities. By being barred from apprenticeship Negroes may

never be able to qualify as highly skilled craftsmen, but they can learn the ordinary unskilled or semi-skilled factory work as readily as can whites. To refuse them membership in industrial unions would serve only to weaken the union, antagonize the Negroes, and build for the employer an anti-union group to help defeat strikes. Indeed this aspect of race relations has not been overlooked by employers, who from time to time have used Negroes as strikebreakers. In a number of industries, including steel and meat packing, Negroes won their first firm foothold in this manner. Craft union discrimination has helped to create an anti-union sentiment among large groups of Negroes.

In extenuation it can only be urged that this prejudice is a reflection of the entire social scene and is not created by unions; in some states, merely to hold a mixed meeting of Negroes and whites is to violate the law. In many instances the labor movement has helped to break down prejudice, by bringing Negro and white workers together in a friendly human relationship in the effort to solve their common problems. The more progressive unions seek to allay the suspicion and hostility of Negro workers by employing Negro organizers, and by seeing that colored workers fill a fair proportion of union offices. . . :

Many unions of highly skilled workers seek in other ways to limit the number of members, so as to secure for those who belong as many job opportunities as possible. Since no one can become a competent mechanic without going through an apprenticeship of some years, the union may limit the number of apprentices, often to a fixed ratio to the number of skilled workers in a shop. The complaint is heard in some trades that often, since many more boys desire to become apprentices than there are places open, the preference is given to sons of union members, so

that entrance to the trade as a practical matter is limited to them. In other cases employers are reluctant to spend the time and effort required to train apprentices, and do not accept as many apprentices as union rules permit.

An excessive initiation fee is another device for limiting membership. Initiation fees in excess of \$200 are common in some skilled crafts, and some local unions of motion picture operators, electricians, and other crafts have had initiation fees of \$1,000 or more. . . .

A union of highly skilled workers is customarily the judge of craft competence, with applicants having to pass a severe examination before admission. Once admitted to the union, they become eligible to share with the other members whatever work is available, often on the basis of a rotating list of unemployed members. Particularly where jobs are of short duration, as in the building trades, the admission of new members reduces the amount of work available to each. Hence the desire of such unions to restrict the membership. Another result, especially in the building trades but elsewhere as well, is the constant fighting among unions over the right to do particular types of work. These jurisdictional disputes are one of the worst features of the American labor movement, and the strikes resulting from them have been a source of great irritation and sometimes substantial loss to employers.

In some skilled trades in which employment opportunities fluctuate widely, the regular membership is kept small so that employment is assured for all in slack times, with the employer permitted to hire temporary non-union workers as needed. Other unions accomplish the same result by issuing permit or privilege cards, which allow non-members to work on union jobs. The holders of these permit cards pay a fee to the union, frequently of \$2 or more per week. This permit card

system lends itself readily to graft, for a crooked official may pocket a large percentage of these fees. The union members may not know how many permit cards have been issued, and the holders of the permits, as non-members, have no rights in the organization. In the New York locals of motion picture operators and electrical workers, among others, the permit system has been abused by crooked officers. A number of national unions have made the permit system illegal, in order to lessen opportunities for graft and encourage the locals to admit the former permit card holders to apprenticeship or full membership, depending on their competence.

Still another restrictive device practiced by some craft unions is that of the Class B or non-beneficial membership. This device, used extensively by the electricians, the carpenters, and other crafts, resulted from the admission to these unions of semi-skilled groups, who could not afford to pay the high dues of the craft unions and who were therefore denied the unemployment and other benefits that the high dues permitted. That much was legitimate; what was not legitimate was the denial of democratic rights in the organization. The International Brotherhood of Electrical Workers gave its locals of Class B members, composed of production workers in the radio and electrical appliance industries, one vote per local at national conventions, whereas the highly skilled Class A locals were represented on the basis of one vote per member. Small wonder that many of these production workers helped organize a separate union, the United Electrical, Radio and Machine Workers. The United Brotherhood of Carpenters and Joiners reported 302,000 members at the 1936 convention, of whom 131,000 were non-benefiting members who were allowed only fraternal delegates without voting rights. As a result, a large

group of these workers, including lumbermen, loggers, and sawmill workers, soon transferred their allegiance to the CIO. In the Screen Actors Guild control was vested in the 15 per cent of the membership who were high-salaried actors, with the much larger group of extras limited to a Class B membership with practically no voice or voting rights.

A somewhat similar practice engaged in by some locals of craft unions has been the admission of workers to a junior membership without the right to vote. Locals of motion picture operators and painters are among those that have employed the junior membership device. As with the permit or privilege cards abuses are easy, and in some instances workers have brought suit against their officers to end discrimination between junior and senior members in dues and jobs, with graft to the officers necessary if junior members were to obtain employment. In other instances temporary cards without voting rights have been used for relatively long periods, sometimes as a disciplinary measure for union offenses.

In a period of declining employment non-unionists may feel that the unions keep their members working steadily at the cost of steady unemployment for those outside the ranks. At the same time it is only human for the unions to fill vacancies from the ranks of their unemployed members before admitting outsiders. Anyone who proposed an opposite policy would have scant chance of election to office. A new member is always welcome, needless to say, if he finds a job in a non-union shop and therefore brings a job with him when he joins the organization.

Non-members should realize that a strict seniority system in a well-regulated industry, whether unionized or not, would similarly bar them so long as experienced workers were unemployed. The unions, in turn, should recognize the danger that

non-unionists and young people seeking their first employment will not take philosophically their failure to find jobs. If the unions control employment many of the unemployed will hold the unions responsible for their joblessness, even though a world-wide depression or the faulty workings of an economic system may be the underlying cause. The unions would be wise to regard themselves as trustees for workers seeking to enter the trade as well as the representatives of those already in it. If the combined efforts of union, employers, and government are necessary to provide employment for all, and especially for the youth, in a depression period, then the unions are not living up to their larger responsibilities unless they lead the fight to provide some measure of opportunity for those denied a place in industry through no fault of their own. . . .

The closed shop deserves support only when the union is open, clean, and democratic. What should then be done with unions that insist upon closed shop contracts, yet bar Negroes or other qualified applicants from membership? What of unions that are controlled by racketeers? What of unions that are run in dictatorial fashion, with critics expelled, elections not held, or stolen, officers appointed instead of elected, and the charters of anti-administration locals revoked? If the closed shop is to remain a legitimate union practice, now that the law regulates employers' conduct, should there not be some mechanism, either within the trade-union movement or provided by the government, to afford protection to rank-and-file workers against discriminatory union rules or the actions of dictatorial officials? . . .

The loss of democracy within a union may be dramatic, with strong-arm men choking off dissent, conventions skipped, or ballot boxes stuffed. More often the process is gradual and subtle, with those who are losing their rights acquiescing in

the process and many of them scarcely aware of it. The union head may be unusually energetic and able, with a dominating personality, so that everyone else is usually prepared and willing to yield to his judgment. Especially if he has led his forces through a serious internal battle, against corrupt elements or against extremists of the right or of the left, his followers may cease to express disagreement with his policies in public, lest they lend encouragement to the internal enemy. Their utterances, both within and without the union, may be well sprinkled with phrases of admiration and affection for their president, with no word of criticism, and in such an atmosphere initiates into the union may receive their training. In the course of time the habit of criticism, even of expression of an honest difference of opinion, may be lost.

The union leader, in turn, is of necessity far removed from the membership. He works in the union office instead of in the shops, he draws a larger salary, he meets employers and public officials, he becomes a power in the community and perhaps in the nation. His judgment on union and trade matters becomes far better than that of the great majority of union members, particularly the large numbers who are relatively new in both the industry and the labor movement. The leader may then become impatient with the lack of knowledge and imagination of the rank and file, and come to feel, precisely as does many an autocratic though well-intentioned employer, that he knows what is good for the workers far better than they themselves do. Since decisions in strikes and negotiations often have to be made quickly, and democracy takes time, the union head may form the habit of acting first and getting approval later.

In his own thinking the leader may come to identify himself more and more with the union he heads, so that opposi-

tion to him and his policies seems like treason to the organization. The function of the average members, he may come to feel, is to carry out instructions, not to try to formulate policy. Discipline, in his mind, may seem far more desirable than democracy, and he may have the constitution of the union amended to give himself and his fellow-officers more and more control over members and local units. By this time, if the union is widely organized and the closed union shop has come to prevail, a dissatisfied member may not be able to drop out of the organization without forfeiting his job in the industry. A rank-and-file member is in a weak position as against an unscrupulous union leader, almost as weak as a worker in an unorganized industry is in relation to his employer. If members then rebel, seeking to carry control of their jobs with them, all the evils of dual unionism may ensue. This is the process that has gone on in many unions, so slowly that the membership may scarcely have been aware of changes. . . .

If the highest type of union leadership were always elected to office, the various abuses discussed in this chapter would never appear or would soon be eliminated. It is not enough, however, to hope that better officials will be selected in the future. Since unions are encouraged and protected by law, and since the closed shop is so generally a union objective, the trade union has ceased to be a wholly voluntary or private organization. Rather it has become an institution with which the welfare of millions of wage-earners is intimately concerned, and one so directly affecting employers, the government, and the general public, that attention must be directed to union abuses and shortcomings as well as to their achievements. To do this is to perform a service to the rank-and-file union membership as well as to the public at large.

These abuses and shortcomings are found in all departments of union life. Perhaps the worst are devices to limit membership, by excluding certain groups such as Negroes, by charging unreasonably high initiation fees, by establishing a limited membership without full democratic rights, or by simply closing the books and refusing to admit anyone. Another set of abuses deny democratic rights to those who become members, by the failure to hold regular meetings and conventions, the stealing of elections, the fining, suspension, or expulsion of individuals who protest, or the revocation of the charters of opposition locals and the appointment of officers to conduct their affairs. Other abuses are found in needlessly high dues, excessive salaries for officials, racketeering, dishonesty in union affairs, and the failure to account properly for funds. Still other denials of democracy are sometimes found in the circumstances under which strikes are called or settled.

CHARLES LUCKMAN¹

Labor's House of Glass

Charles Luckman (1909-) is an American industrialist, president of Lever Brothers, who in 1947 organized the grain-saving program for President Truman.

How do labor unions deal with their own paid clerical workers and executives? If the statements of prominent labor leaders concerning fair labor practices in industry are applied to the unions themselves, are there any discrepancies between what is practiced and what is preached?

¹ Charles Luckman, "Labor's House of Glass," *Reader's Digest*, July, 1947, pp. 24 f.

An analysis, made by competent experts, indicates that the grand total of people on the payrolls of the unions themselves is about 110,000. This personnel rivals in size the work force of some of our largest corporations.

Because the unions are known to be socially alert, we might assume that, wherever reasonably possible as employers, they would practice on their own employes what they preach for other employes. Yet the unions have failed to provide their own employes with anything like the general wage increases won last year, or with anything like the cost-of-living wage adjustment now being headlined as labor's major demand. A similar failure by industry has been described in union circles as "an attempt to depress wages and recreate the bread lines of 1932."

Now I think it is safe to assume that the labor unions themselves have discovered how impractical it is to swell the payroll by such wage rises without increasing the price of union membership. I also surmise they have wisely concluded that their customers are paying about as much as the traffic will bear, and that to raise union dues would tend to soften the market for the services which organized labor has to sell. In dealing with its own employes, labor, as a boss, has experienced many of the headaches of big business.

At present, plans are being laid in at least one big labor contract negotiation to ask employers to finance *additional* life, sickness, accident and disability benefits for workers. But the union making this demand makes *no provision at all* for sickness, accident and disability insurance covering its own employes! After all, a union stenographer who cannot pay her medical and hospital bills and eat during convalescence is in just as bad a situation as any company stenographer would be in a like predicament.

I hope that the day will come when every American will be insured against loss of income because of sickness or accident. Business can and must join hands with the unions in an effort to speed this universal protection. But we shall get there sooner if both sides devote their entire energy to engineering the basic welfare of the little guy—regardless of whether he is employed by a company or by a union.

Not so long ago an outstanding union leader said: "A guaranteed weekly and annual wage is in the forefront of the goals toward which the CIO is working." This is indeed a worthy policy. But after diligent search I have been unable to discover one international union which provides its own rank-and-file employes with a guaranteed annual wage. This is somewhat puzzling in view of the fact that the annual income of the unions is a lot more predictable, with checkoffs and maintenance of membership clauses, than are the sales of companies in a competitive market.

Another inconsistency: it is doubtful whether as many as 20,000 of the 110,000 people who work for the unions are protected by collective bargaining and enjoy the benefits organized labor demands that business establish for its employes.

Interestingly enough, many of the collective-bargaining contracts covering this minority call for a minimum wage of \$30 a week, or \$1560 a year. This is approximately \$2000 a year less than the amount which labor-union economists recently stated is necessary to keep body and soul together with an adequate degree of decency. This shows how easy it is to fling loose talk around, and to set up standards which make the other guy look like a heel. Wouldn't it be better for the unions to stop throwing rocks at their neighbors; particularly when they themselves appear to be living in glass houses?

Equalization of "take-home pay"—the annual wage—insurance against sickness, accident and old age—decent personal security on the job—bona fide collective bargaining—all these are high economic goals. They are being achieved just as slowly by the unions in dealing with their own employes as they are by management, because it is not enough merely to want them.

PAUL FISHER¹

Definitions of a Responsible Union

Paul Fisher teaches economics at Dartmouth College.

The Board [National War Labor Board] has also very clearly established what it considers a *responsible* union. We have already discussed the union's responsibility for the maintenance of peace and its duty to cooperate with management in the keeping of the agreement. The Board has widened this responsibility to that of maintaining uninterrupted production. It even measures union responsibility by its production record and by its contributions to improvements in the production process. Anything which curbs production is outlawed, whether it takes the form of a slowdown, restriction of output, picketing or solicitation for membership during working hours. A union was commended because it did not use the disciplinary machinery of its organization to hinder or prevent members of the company's supervising force from properly discharg-

ing their duties in the interests of maintenance of production. Union actions which promote production help to make a union responsible in the eyes of the Board. In this group falls the maintenance of union discipline.

The Board then forges ahead and sets up a "few simple fundamentals of responsible democracy" as determining the responsibility of unions. The union's responsibility to its own members starts with its admission policy. Fair and reasonable consideration of any applicant, regardless of race, creed, color or nationality, age, skill or sex, are required. The initiation fee must be reasonable, and its determination subject to scrutiny on the part of the international union. The new member must have access to the constitution and by-laws of his union. Once a member, he must be able to have a voice in the determination of policy and the choice of officers of the union by reasonably frequent or periodical secret ballot elections. A responsible union calls a strike only after a qualified majority of the local has voted for it and the sanction of the International has been received. The member's financial obligations towards the union, such as dues, assessments, etc., ought to be reasonable, and their amount, together with the method of levying these charges, ought to be determined by the national union. In return, the National audits the accounts of the local and makes audited financial reports available to the members. Union procedure for taking disciplinary action against members, such as fines, suspensions, expulsions or re-instatements, must guarantee the member's right to an impartial trial, appeal and review in accordance with the constitution of the union. In the special case of the members of the Newspaper Guild, where a conflict between union discipline and freedom of speech is involved, any member who

¹ Paul Fisher, "The National War Labor Board and Postwar Industrial Relations," *The Quarterly Journal of Economics*, August, 1945, reprinted by permission of Harvard University Press.

claims that he has been expelled from, or penalized by, the guild because of his convictions, or because of anything he has written or failed to write for publication, has the right to present all the facts to an (outside) arbitrator. Finally, members of unions which enjoy a maintenance-of-membership clause are protected against loss of their good standing, and hence of their jobs, through union action by the arbitration clauses of the standard maintenance-of-membership clause. These protect him also against union coercion, if

he decides to relinquish his membership within the escape clause period. A similar protection against union coercion is provided for non-members who want to remain outside the union.

Out of these principles emerges a clear picture of the responsible union. The Board is establishing the positive and flexible rules of a *common law* of union conduct. These rules are being tested and improved in their day-by-day application in concrete cases, and will outlast the Board.

7. Developing Power

TRADE unions seek to accumulate power. Power may be viewed as the ability to exert pressure on others, and withstand pressure from others. A union without power is dependent on the sufferance of management or government, or both. A union achieves economic gains likewise largely through its power. It may also seek power for its own sake. Initially unions aim at equality of power with employers, but subsequently at superiority. In some industries and crafts, the influence of the unions now outweighs that of management and sometimes approaches that of the government itself in limited fields.

How do unions go about accumulating power in society? Originally they had none at all, and they have been in the process of building it up economically and politically. As they have succeeded, the relative, though not necessarily absolute, power of industry and government has been reduced. One of the important developments of the past century and a half has been the growth in influence of the organizations of workers. What techniques have they employed? These techniques will be examined first in the economic and later in the political spheres.

Unions seek to obtain power originally through the workers. By securing their allegiance, productive effort can be withdrawn from the employer. This is of less avail if other workers can be substituted. Unions can reduce the possibilities of that substitution by obtaining the allegiance of the other workers in advance through affiliation, or failing that, by otherwise dissuading them, peacefully or forcibly. They can exercise even greater influence if, through control of a skilled labor force, they can create absolute scarcity of workers which would force up wage rates and conditions even without the formality of collective bargaining, provided employers were not organized to meet the scarcity. Monopoly of the labor market is the best device. A union seeks first internal solidarity and then protection from alternate sources of workers as substitutes, so that it may be able to say: "If any bargain is made, it has to be made with us."

Effective control within the product market is a further device, when the product market exceeds the labor market in area. This requires the organization of all employers who sell competitively. Otherwise lower wage rates and prices in the unorganized segment deter higher wages and prices in the organized sector. Once the market is fully organized, not only are the negative effects of a non-union segment overcome, but positive advantages accrue. The demand for the

products of an entire industry is normally such that prices can be raised within limits without affecting substantial reduction in demand. This allows exertion of power jointly with the employer against the consumer. The objections of the employers have been reduced, and the consumer can make little effective resistance to moderate price increases under these circumstances.

The unions thus in amassing power seek to organize both the relevant labor and product markets. Craft unions ordinarily find it sufficient to organize the former; industrial unions usually also became concerned with the latter. When this power is fully effective, pressures from both labor and product competition are offset, and restrictions of the number of workers and of production become offensive weapons.

Other devices for garnering influence may be used. Alliances are always useful and sometimes crucial. The support of truck drivers or building-maintenance workers may greatly strengthen an embryonic union of department-store clerks. The clerks by themselves might not be able to close the store, but either the teamsters or the operating engineers could. The secondary boycott may also be used to cut off markets. This is almost as effective over a period of time, if achieved, as cutting off production. The alliances need not afford such direct help. If they supply funds as strike benefits, they increase the ability to hold out. Other sources of strike funds serve the same purpose. A large strike chest accumulated by a union by nation-wide collection or over a long period of time serves as a threat and an effective weapon in time of controversy. The availability of relief funds, or credit at a credit union or consumer co-operative, or eligibility for unemployment compensation increases the ability of the organization to resist or attack.

Timing is important. Winter in the Middle West and Northeast is a poor time for unions to strike. Picket lines are hard to maintain, and home expenditures for food, heating, and clothing are high. Similarly certain times of the year may be difficult for the employer. An employer with perishable raw materials or products on his hands or with an important contract requiring performance on a given date is vulnerable. Unions attempt to set contract expirations at a good time of year for them and a poor time for the employer. The conflict, on occasion, between the parties over such expiration dates is explained by the way it affects the application of and resistance to pressure. The United Mine Workers would be in a better bargaining position if their contracts expired at the start of winter rather than the start of summer. The Alaska salmon-cannery workers are better off because their contracts open each year before the ships sail North from Seattle.

The state of trade affects the distribution of power. When business is expanding and profits are rising, the influence of the union is increased. A strike then costs the employer more money than in a depression when losses are being sustained, and when closing the enterprise may be a positive benefit to the employer. Further-

more, the chance that other workers can be obtained as employees is less in a period of full employment than in one of unemployment.

Generally, the union wishes to raise the cost of the employer's fighting and reduce the cost of his conceding. The craft union in a large plant achieves this almost to perfection. Resistance means closing the entire plant. Yielding means raising total costs by a very small percentage.

Power is relative. The union gains almost as much by weakening the employer as by strengthening itself. When employers are organized, unions may seek to divide them by concentrating their attacks on individual employers, or by offering favors such as better production, or better markets where the product is purchased by working-class customers, if the single employer breaks away. Or they may seek to drive a wedge between the employers in general and their customers. The Pacific Coast longshoremen repeatedly have appealed to shippers of products to put pressure on stevedoring companies to make concessions so that the products would be handled without delay. The union may further seek to weaken the community support of employers by attacks in the press or by other means.

The appearance of power may be almost as effective as power itself. The parties traditionally attempt to bluff each other about their resources. The union tries to show the loyalty of its members through mass meetings or strike votes, and of its alliances through resolutions of support from central labor councils. Bargaining skill partly consists of demonstrating strength and concealing weakness.

Power can be obtained in other spheres of activity in addition to the economic. Influence through newspapers or the churches are illustrations but the most important other area is the political. Political power is not, however, always available to unions. When their membership is small and their public support lacking, political activity may weaken rather than strengthen. Political influence of unions seems to vary directly with the numerical size of membership and the degree of popular acceptance.

In Europe trade unions have traditionally had their own political parties. The multiparty system, the comparatively high membership of the unions, and the ideological inclinations of the movements have encouraged this. Similar attempts have been made in the United States, but none have had any sustained success. The traditional American method has come to be support of individual candidates on their records, but refusal to form an allegiance with either dominant party or to organize a third party. The usual methods of lobbying have also been employed. It was assumed that organized labor had neither sufficient membership nor enough public respect to permit it to form a successful third party, and that if such a party was attempted, the other two parties would be antagonized. It was considered better to grant support here, or withdraw it there, seeking to gain the assistance in legislative matters of individual politicians in both major parties. This "nonpartisan" policy has not satisfied some of the more liberal and radical elements of organized labor but has remained the established policy for over half a century and is currently adhered to by both the AFL and CIO. Both

federations have, however, intensified in recent times the attention to political developments. This is partly because the growing influence of the Federal government has held more possibilities for good and for evil for the trade-union movement. Whatever the merits of the policies pursued in the past, many of organized labor's political demands have been translated into actualities, as may be observed, for example, by examining the demands of the unions in 1830 and again in 1918.

Power may be abused as well as used. It may be accumulated in antisocial as well as social ways. Unions are not alone in amassing power, nor does the threat of misuse stem only from them. The public, however, is concerned that power be attained legitimately, that it not be too great, and that it be directed in proper ways toward proper ends. How can this be achieved? How much power should unions be permitted as compared with employers, the consumers, or the government in essential industries? This question did not arise on a nation-wide scale until recent years, and the public has reached no fully accepted conclusion yet. The recently increased participation of organized labor in politics may intensify the problem.

The power of organized labor in society varies greatly. In some industries it is nonexistent; in others it is dominant. Historically, however, it has clearly tended to increase. While its future course is not fully evident, it has already raised the question as to how a democratic government should handle massed economic strength, whether of industry or labor.

ECONOMIC POWER

SUMNER H. SLICHTER ¹

The Determinants of Bargaining Power

Bargaining power is the power to impose the terms of a bargain upon the other party. The ability of one party to compel the other party to accept terms favorable to it depends upon the cost to it of imposing a loss on the other party.

¹ Sumner H. Slichter, "Good Bargains and Bad Bargains," in *Collective Bargaining Contracts*, The Bureau of National Affairs, Washington, D. C., 1941, pp. 46-48.

Thus if a union by the control of a few strategically situated workers may compel the immediate stoppage of deliveries or sales, the union's bargaining power is very great. The motion picture operators are a good example of a union with great bargaining power. Withdrawal of a small number of men compels the theatre to shut down. Note that the shutdown of a plant does not necessarily mean an immediate stoppage of deliveries because some plants are able to maintain large inventories. But this will depend on whether the product can be stored without great cost or great risk of depreciation from spoilage or style changes. The bar-

gaining power of a union is usually less in times of depression than in times of prosperity and in seasonal industries it varies greatly from season to season. For that reason the time when the contract expires may itself be an important subject of bargaining.

Of great importance is the fact that the bargaining power of both unions and employers is limited. For example, the greater the wage demands of a union, the longer the shutdown that the employer can afford to sustain in order to defeat them. And likewise there is a limit to the wage increase for which a union can afford to strike. This follows from the fact that wages above a certain amount reduce rather than raise the income of the entire group. For example, an employer may estimate that a wage increase of 5 cents an hour would reduce his profits (by cutting margins and volume) by about \$20,000 a year, a wage increase of 10 cents an hour would cut his profits by \$75,000 a year, and that a wage increase of 20 cents an hour would pretty definitely put the firm out of business. On the basis of these estimates the management must decide how long a strike to endure rather than pay the wage increase. For example, the management might be willing to endure a shutdown of two months to defeat a wage increase of 5 cents an hour, of seven and a half months to prevent a wage increase of 10 cents an hour, and to liquidate the business rather than pay a wage increase of 20 cents an hour. Likewise the union members must decide how long they are willing to strike in order to win a given wage increase. For example, the union members might be willing to strike for three months in order to raise their wages by 5 cents an hour, five months in order to raise their wages 10 cents an hour. They might conclude that an increase above 10 cents would be disadvantageous. Under these conditions a wage

increase of between 5 cents and 10 cents an hour would be negotiated—at least it would be in case each party had accurate knowledge of the willingness of the other to fight. On the issue of 5 cents an hour the union would be willing to stand a longer shutdown than the employer. Hence, the settlement would not be for less than 5 cents an hour—unless the union overestimated the employer's willingness to fight. On the issue of 10 cents an hour the employer would be willing to stand a longer shutdown than the union. Hence, the wage increase would be less than 10 cents an hour—unless the employer overestimated the union's willingness to fight. If we may assume that for any increase below 7 cents an hour, the union would endure a longer shutdown than the employer and that to prevent an increase of more than 7 cents the employer would endure a longer shutdown than the union, the settlement will be made without a strike at 7 cents an hour.

This analysis of the nature of bargaining power and its limitations may be criticized on the ground that it describes in terms of careful calculation and weighing of costs and benefits a process which is usually highly emotional. This criticism may be accepted but the analysis is not without value. In some way or other each side must decide how long a strike or lockout it would be willing to endure over a given issue. Likewise it must make a guess as to how long a strike or lockout the other side would be willing to endure. The more rationally these decisions are made, and particularly the more accurately each side judges the other's willingness to fight, the greater is the chance that a peaceful settlement will be reached. On the other hand, if one side underestimates the willingness of the other to fight, a strike or lockout will occur. One of the most conspicuous aspects of the behavior of each side in bargaining is an attempt

to create an exaggerated impression of its own willingness to fight. Sometimes these efforts have the unfortunate result of causing one side or both to take positions which they really do not mean but from which they cannot readily recede. In such cases the face-saving help of a mediator may save the situation. Or agreement to submit the dispute to arbitration may be the way out. Part of the difficulty of the two sides in getting together may arise from the fear that any withdrawal from a stated position will be interpreted as a sign of weakness and will cause the other side to become more uncompromising than ever. Again the services of a mediator may save the situation because he is often able to get "best offers" from each side which neither is ready to make directly to the other.

cordingly interested in getting in return for their definitely limited output as high a price as possible. If they can, by raising price, exact the same income for a smaller number of hours' work, it will positively pay them to leave some of the world's demand unsatisfied. They have nothing to gain by cheapening the process of production, and they stand actually to lose by every invention or improvement in organisation that enables their product to be turned out with less labor. Any alteration, in short, will be repugnant to them, as involving a change of habit, new exertion, and no pecuniary gain. Rather than forego the utmost possible individual wage, it would even pay them to stop all recruiting, and progressively raise their price as their members drop off one by one, until the whole industry dwindled away.

SIDNEY and BEATRICE WEBB¹

The Device of Restriction of Numbers

In the present section we deal solely with direct attempts to secure or maintain a more or less complete "monopoly" of particular occupations, either by limiting the number of learners, or by excluding, on grounds of sex, previous occupation, or lack of apprenticeship, persons whom an employer is willing to engage, and who are themselves willing to work, in strict conformity with the standard conditions of the trade. . . . The individual operatives who enjoy the monopoly have only their own energy to sell, and they are ac-

JOHN T. DUNLOP²

Bargaining Power

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The fact that all buyers and sellers, in either product or factor markets, do not meet on completely equal terms is recognized in the earliest economic literature. Adam Smith, for instance, observed that "in the long run the workman may be as necessary to his master as his master is to him, but the necessity is not so im-

¹ Sidney and Beatrice Webb, *Industrial Democracy*, new ed., by permission of the executors of the late Lord Passfield, Longmans, Green and Company, Ltd., London, 1902, pp. 705 ff.

² From John T. Dunlop, *Wage Determination under Trade Unions*, copyright 1944 by The Macmillan Company and used with their permission, pp. 74, 75, 76, 77, 78, 91, 92.

mediate. . . . Masters are always and everywhere in a sort of tacit, but constant and uniform combination, not to raise the wages of labour above their actual rate." Such concern with inequalities in the process of price formation would be expected where individual incomes and amounts of services rendered are said to be determined by the price mechanism with a given distribution of ownership. In examining interferences with the operation of "free" and "perfect" markets, the term "bargaining power" has been commonly adopted; it is generally used to assert some lack of equality between buyers and sellers in a market. . . .

A brief survey of the literature using the term "bargaining power" discloses many factors which are held responsible for inequalities. "The . . . weaknesses of the individual bargainer, his lack of waiting power, his defenselessness against the competitive pressure on the employer, are to some degree offset through the device of the collective bargain." The "power to withhold" from making a transaction is probably the most general content of the term "bargaining power." The ability to refrain from sale or purchase is commonly said to be influenced by such circumstances as periods of prosperity and depression, the skill of wage earners, knowledge of markets, and the skill in bargaining and conducting negotiations. But no measure is suggested whereby these factors may be reduced to a common denominator. . . .

It may be thought that the bargaining power of a buyer or seller pertains solely to the immediate market in which the individual is a participant. Even in a general and common-sense way, it is soon evident that the character of competition in markets in which the factors are supplied will significantly influence the bargaining power of buyers and sellers in the product market. For instance, the bargaining power of a textile firm dealing with

a machinery company will depend in part upon the character of competition in the cotton and steel markets. Certainly, these competitive conditions will materially influence the price of textile machinery. If this be true under more rigorous definitions of bargaining power, then the present study must be concerned with the interrelations of product and factor markets. . . .

It is useful to distinguish between "determining" and "resultant" concepts and measures of bargaining power. A determining definition would state the factors which influence bargaining power in such a manner that the wage could be deduced from a knowledge of this bargaining power and other relevant variables; a determining measure would state some definite functional relationship between the magnitude of this bargaining power and the level of the resulting wage. A resultant measure would only permit a measurement of bargaining power by the resulting wage rather than in terms of the forces behind a wage. In a system of complete explanation of behavior, the two concepts are merged.

The factors influencing determining bargaining power, which may be interrelated, are the following:

1. Tastes of workers and employers, with respect to wages and man-hours bought and sold—the indifference maps. Institutional factors such as property rights, and wage-hour legislation, which influence conditions of demand and supply, should also be included.

2. Market conditions, especially the degree and type of competition in the labor market, the product market, the market for complementary factors of production, and the market for competitive factors of production. In the last two markets, elasticities of substitution are important factors.

3. "Pure" bargaining power: ability to get favorable bargains, apart from market conditions. "Pure" bargaining power becomes particularly relevant in cases where there is a range of indeterminacy. It consists of two factors: (a) the extent of knowledge of tastes and market conditions influencing the behavior of the other party to the contract, and (b) intrinsic "toughness"; the ability to get the desired result with a given amount of energy and unpleasantness. The willingness to devote energy and bear unpleasantness in bargaining for increased income is part of basic tastes, influencing the shapes of the indifference curves.

The third factor, "pure" bargaining power, would seem to be the least significant of the three. The differences between representatives of employers and of employees with respect to knowledge of the tastes of their opponents, and to the state of the relevant markets, is not likely to be overwhelming in many contemporary cases. The tastes and market conditions themselves will be much more important. An assumption that pure bargaining power is approximately equal for the contracting parties would not be too unrealistic under modern conditions (particularly with trade unions) and would greatly simplify the formal analysis.

Thus the concept of determining bargaining power consists of the relative ability of the two contracting parties to influence the wage, in terms of these three factors, and especially in terms of the first two. However, it seems impossible to measure determining bargaining power in terms of these factors. Accordingly a "resultant" measure in terms of the actual wage must be adopted.

The comparisons are made in terms of a general, rather than a partial, equilibrium analysis. The reason is simply that the general equilibrium approach, by taking account of whatever variations in the

marginal utility of income there may be and of the importance of the path to equilibrium, makes the analysis more realistic. The bargaining advantage of a factor is defined as

$$A_f = \frac{P_f - S_p^c}{D_p^c}$$

where A_f is the bargaining advantage of the factor; P_f is the actual price paid for the factor; S_p^c is the supply price of the factor that would rule under pure competition in all relevant markets, for the number of units *actually* taken; and D_p^c is the demand price of the commodity that would rule under pure competition in all relevant markets for the number of units actually taken.

It will be noted from this expression that if the competitive supply price falls while price remains constant, bargaining advantage rises; similarly, if competitive demand price falls and price remains constant; while if competitive demand price rises and price remains constant, bargaining advantage falls. With pure competition, bargaining advantage is zero. . . .

Before proceeding to the introduction of further complications, it may be well to summarize our results so far. In [the following table] . . . the wage rate in each of the cases of product and market competition considered above is arrayed in order from highest to lowest.

Case 13, bilateral monopoly in both markets, may rank anywhere; conceivably, if monopoly power in the product market can be made high enough, it may even be the most favorable position for labor, provided a satisfactory profit-sharing agreement can be obtained.

There may be some question as to the relative rank order of Cases 1 and 8. With equal pure bargaining power, the wage rate will be about the same in Case 8 as in Case 1, but the number of employees hired will be less, since both demand and

WAGE-RATE DETERMINATION UNDER VARIOUS PRODUCT AND FACTOR MARKET SITUATIONS

<i>Order of wage : factor highest to lowest</i>	<i>Case No.</i>	$\frac{P_f - S^c_p}{D^c_f}$	<i>Situation in product market</i>	<i>Situation in labor market</i>
1	4	> 0	Pure competition	Monopoly
2	10	> 0	Monopsony	Monopoly
3	9	> 0	Monopoly	Monopoly
4	11	> 0	Bilateral monopoly	Monopoly
5	1	$= 0$	Pure competition	Pure competition
6	8	$> = < 0$	Pure competition	Bilateral monopoly
7	3	< 0	Monopsony	Pure competition
8	7	< 0	Bilateral monopoly	Pure competition
9	2	< 0	Monopoly	Pure competition
10	5	< 0	Pure competition	Monopsony
11	12	< 0	Monopsony	Monopsony
12	6	< 0	Monopoly	Monopsony

supply curves shift toward the center due to the cost of bargaining. Thus with equal pure bargaining power, the outcome is less favorable to labor as a whole than in Case 1. However, it is possible for them to get a contract more favorable than the purely competitive one, if they have a bargaining advantage. It is conceivable that the workers would prefer a situation which gave them this chance for gain, even with a greater chance for loss, to the assurance of the competitive wage.

It is perhaps worthy of mention that, without some degree of monopoly in the labor market, the bargaining power of labor is less than one. In the absence of a profit-sharing agreement, the best situation for labor in the product market, regardless of the conditions in the labor market, is pure competition. Monopsony, monopoly, and bilateral monopoly follow in that order.

There is some indication that conditions in the market for the factor with which the discussion has been directly concerned—in this example, labor—outweigh in significance the conditions in related markets.

C. LAWRENCE CHRISTENSON¹

Rule Making by the Musicians

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Collective bargaining by the musicians' union has two forms. The union may negotiate the usual agreements with employing units, but it also proceeds more simply and directly by unilateral legislative and administrative action, resembling the operation of a medieval guild in governing the charges for the services of its membership. It illustrates how closely a "trade union" may copy a "trade association," providing the industrial setting is favorable.

Because of this twofold bargaining ac-

¹ C. Lawrence Christenson, "Chicago Service Trades," *How Collective Bargaining Works*, ed. by H. A. Mills, Twentieth Century Fund, New York, 1945, pp. 851-52.

tivity, only part of the terms governing the employment of unionized musicians will be found in trade agreements made by the union. An equally significant part will be found in the various working rules adopted through the more or less democratic functioning of the union without consultation with employers. These working rules, or "union law," alone may define the employment relation with most of the smaller or occasional employers in the city. In such cases bargaining is extremely one-sided and approaches dictation. The limits on the enforcement of union rules under these circumstances are the same as those governing any other monopoly, namely, "what the traffic will bear."

C. LAWRENCE CHRISTENSON¹

Collective Control in Cleaning and Dyeing

A review of collective bargaining in Chicago's cleaning and dyeing industry makes clear the extent to which trade-union action has been used to control competitive practices. Indeed some writers have been tempted to dispose of the entire matter of collective relations in the industry simply by saying, "It's not collective bargaining; it's a racket!" The fact remains, however, that some aspects of working conditions and wage rates have been the product of collective action for a quarter of a century. It adds little to our understanding of this development to cover up the forces that have contributed

to it by dismissing the matter in this fashion.

Traditionally, customers' garments were collected and delivered by the employees of the plant. From the standpoint of the power of trade unions to contribute to the control of competition, this fact is of primary significance. The channels through which business is secured and service rendered are exposed to attack. Moreover, drivers familiar with routes and customers are not easily replaced. It was no accident that organization of the delivery employees preceded unionization of the inside plant employees. Before 1910 drivers were the exclusive contact with the market except for one firm. Through organization of this group, definitely encouraged by some employers, "closed solicitation" could be enforced and each plant allocated its share of the market. A dispute with the drivers' union was almost certain to result in denying the plant operator concerned access to his customers. It is this which employers have had in mind when they have remarked, "If the drivers weren't in the union, organized labor would have no power."

Organization of the inside plant employees came later at the peak of a war-time labor shortage, but also after development of the branch store had begun to weaken the effectiveness of the "closed solicitation rule" as a control device. Standardization of labor costs through such a union was important to price control for a number of reasons: the normally localized market; the importance of wages in costs; the consequent absence of marked advantage to the large firm; and the intensive competition which could arise partly from this and partly from the maintenance of equipment necessary for seasonal peaks in business.

The rising demand for the industry's services in the two decades following 1910 contributed greatly to the functioning of

¹ C. Lawrence Christenson, "Chicago Service Trades," *How Collective Bargaining Works*, ed. by H. A. Millis, Twentieth Century Fund, New York, 1945, pp. 827-29.

joint industrial control by employers and union officials. This rising demand was associated with the growth of the city, but was also doubtless augmented by occupational shifts then taking place. The increasing proportion of women in commercial pursuits and the rise in the number of white collar workers generally, both spelled increased volume for the cleaning industry.

During the twenties, with incomes rising and the demand for cleaning services growing, joint action by the employers' association and the union maintained a substantial degree of stability. The weakening of this joint control has been associated with the growth of new operating methods since 1930.

While separate figures on the business of branch store plants and synthetic shops are not available, there is no question that both have made inroads on the trade of the older wholesale plants. Wholesale plant operators have indicated that this has been particularly true in garment cleaning, although they still appear to retain an advantage in cleaning larger pieces of household goods, such as curtains, rugs and draperies. The complete elimination of delivery employees in the synthetic shop, and the shift in the relative significance of delivery service in the branch store plants, makes the old controls largely inapplicable to them. Moreover, since they often operate without any hired labor, union standards which fix minimum wages for internal plant labor can have no effect on synthetic shops. The amount of work that can be done by one man with the aid of family labor is, of course, limited, and this tends to limit their size. But in 1940 the operators of union plants, watching the increase in the number of synthetic shops, were deeply concerned about how far this newest threat to their position would go.

The collective bargaining practices of the dry cleaning industry of Chicago, even during the years since 1930, impressively show the contribution which unionism has been asked to make to price control. This was, indeed, a most important reason for its existence.

WILLIAM M. LEISERSON¹

Restraints on Trade

With respect to the second general category of restrictions which are designed to control the product market by monopolistic devices, there appears to be a fairly recognizable pattern. Not all methods are pursued in each bargain. Sometimes the arrangements are informal and successfully concealed. Four standard types have been verified to be of frequent occurrence.

1. Some bargains fix prices directly. Two thirds of the contracts of the Barbers' Union have such provisions. Other examples have been found in agreements covering beauty shop operation, wholesale bread delivery, milk distribution, and sometimes in the construction industry. The Photo-Engravers' Union has at times bound the employers not to fix a price at less than cost as defined in the agreement.

2. Closely allied to price determination is the device of the bid depository which is often coupled with price formulae. Among the more public instances of this practice are agreements in the New York and San Francisco electrical contracting industry, the Portland plastering subcontractors, the Seattle cement industry, and the New York painting industry. Similar practices have generally prevailed through-

¹ William M. Leiserson, "Restraints on Trade," *American Economic Review*, May, 1945, pp. 214 ff.

out the country in the plumbing and tile contracting industries. Bid depositories have been set up in many cities by the job printing industry with the unions to perform constabulary duty.

3. There are rules and practices restricting the number of competing employers and preventing the inauguration of new enterprises. These have been found quite generally in the plumbing and tile contracting industries. They have been verified in heating, woodworking, and in the fur industry in the east; in milk distribution in New York, Chicago, and Seattle; and in poultry distribution in New York. On December 5, 1944, the association of service station owners of Minneapolis announced that it has reorganized itself as a local of the Teamsters' Union for the avowed purpose of restricting the number of service stations after the war and to fix prices of the products sold.

4. The most drastic type of trade restraint is that which seeks to erect a wall around a local industry. Many examples are in the books. Two will suffice. In the electrical construction industry in New York it has been the rule that the union would install no fixtures or equipment manufactured outside New York City if such fixtures and equipment could be manufactured in New York City. In San Francisco during 1936 a group of unions and a group of manufacturers entered into a written agreement to shut out from the area all millwork and patterned lumber produced outside the area. Eighty per cent had previously come from outside the state, chiefly from Oregon and Washington. It is quite probable that most of such bargains never come to light. Few parties are so naive or so bold as to incorporate them into written documents or so to
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invite public attention.

RICHARD A. LESTER¹

Importance of Organizations and Bargaining Agencies

In any imperfect market, the economic power of persons may affect the price. This is especially true in a market, such as the labor market, where employers or organizations name the price and where demand and supply may meet over a whole range of prices or may not meet at all. Under such conditions, the market may be cleared by a number of prices instead of one standard price. Actual studies of labor markets show that in many instances there are different wage rates in the same locality for the same kind of work by comparable workers. Such discrepancies, which are explained by the existence of "good" and "bad" employers, could be corrected by economic pressure on the "bad" employers. The short-run supply curve of labor also lends itself to the use of economic power, for a wage rate once attained by bargaining strength tends to become the new equilibrium rate; a negatively sloping supply schedule adjusts itself in an appropriate manner to any change in wage rates.

In the actual process of bargaining, an individual employee alone may have little economic power, especially if he is unskilled or is one of a large number of similar employees working for a large corporation. Labor unions are founded on the principle that a considerable amount of economic power may be gained by the combined action of a large number of individual workers who, acting separately,

¹ From Richard A. Lester, *Economics of Labor*, copyright 1941 by The Macmillan Company and used with their permission, pp. 191-95.

would be weak. The union frequently forces the employer to choose between paying all his employees a certain wage scale or facing the consequences of a strike. Under such circumstances, the employer is not permitted to add workers to his staff, one at a time, until the last one taken on establishes the wage for all, in line with the marginal-productivity theory. The union, in effect, tells the employer: "You can hire as many workers as you wish at the union rate, but if you don't pay the union rate we will use every effort to prevent you from hiring any workers."

There are some monopolistic selling practices that unions generally do not use. A seller with a monopoly can discriminate between buyers, charging them different prices for the same goods in the same market, or he may "dump" products by selling them more cheaply in distant markets. As has been indicated, it is a common practice to quote uniform delivered prices for a price zone or the whole country, which means that the seller receives smaller net receipts on the sales to more distant buyers. The monopolistic seller may not only fix his price as he pleases but he may also fix the quantity that the buyer must take at that price if the buyer is to purchase any of the product. It is true that certain unions have full-crew rules or rules regarding the number of workers for a particular task. However, unions do not attempt to force employers to hire a certain total number of hours of labor at the union rate. Generally, unions let employers determine how many hours of work they will buy. Unions, of course, may not have control of the supply of labor in a certain line, and even if they do have all the eligible workers in the union, all union members may not act in unison during a strike.

Labor unions may exert pressure, both political and economic, in various ways. . . . An illustration of the effect of economic

pressure by a trade-union upon wage rates will be sufficient for present purposes.

On the West Coast, the International Brotherhood of Teamsters, Chauffeurs, Stablemen, and Helpers of America has recently been organizing eligible workers in such former open-shop cities as Los Angeles and, along with the organizing campaign, has, of course, been forcing some employers to pay higher wages to laundry, milk, and other delivery drivers, taxicab drivers, and garage employees. Banks, merchants' and manufacturers' associations, and other employer organizations have brought pressure to bear upon employers not to sign union agreements. The union, in turn, uses its economic strength to force employers to sign on the dotted line. The Teamsters' representative for the 11 Western states, Dave Beck, tells those business concerns in Los Angeles having branches throughout the West that, if the management will not sign an agreement for its Los Angeles establishments, the union will decide not to work for or patronize any of its branches outside Los Angeles. Chain stores and large firms with numerous branches cannot afford to resist such economic pressure, for the union is very strong in many Western states, whereas the Los Angeles businessmen's organizations have little economic or political influence outside the city. The Teamsters, through their control of transportation in many areas, may practically prevent an employer from receiving materials or delivering his product. They may refuse to transport any product that has been handled by an antiunion employer. As the largest AFL union, with a membership around 400,000, the union may also make certain that its members as consumers discriminate against the products of opposing employers. . . .

Certainly the whole structure of wages in this country has been affected to a considerable degree by the activities of

labor unions and the practice of settling wage rates through negotiation and agreement between organizations of workers and employers. By covering all employers in an industry (the whole competitive area), the union is able to raise wage rates much higher than it could if only a few employers were unionized in an industry having national distribution for its products. In the latter case, unionized employers would face the competition of non-

union employers in the industry, who were paying lower wages. If all employers in the industry were unionized, however, the only competition would be that of possible substitute products, such as the substitution of oil, gas, and electricity for coal as fuel. If the market is a local one, as in building, baked goods, and delivery service, a strong labor organization may raise wages in the locality with little fear of low-wage competition from other areas.

POLITICAL AND SOCIAL POWER

AMERICAN FEDERATION OF LABOR¹

Reward Your Friends and Punish Your Enemies

The partisanship of Labor is a partisanship of principle. The American Federation of Labor is not partisan to a political party, it is partisan to a principle, the principle of equal rights and human freedom. We, therefore, repeat: Stand faithfully by our friends and *elect* them. Oppose our enemies and *defeat* them; whether they be candidates for President, for Congress, or for other offices, whether Executive, Legislative or Judicial.

The experiences and results attained through the non-partisan political policy of the American Federation of Labor cover a generation. They indicate that through its application the workers of America have secured a much larger measure of fundamental legislation, establishing their rights, safeguarding their inter-

ests, protecting their welfare and opening the doors of opportunity, than have been secured by the workers of any other country.

We unhesitatingly announce that the trade-union movement herein represented is the most practical, safe and legitimate channel through which the working men and women of North America should not only continue to seek redress for their wrongs, but by which they can strengthen their economic position until it will control the political field, and thereby place Labor in full possession of its inherent rights.

ADOLF STURMTHAL²

Pressure Group or Political Action

Adolf Sturmthal is an Austrian newspaperman and author who has taught international relations at the American

¹ American Federation of Labor, *Convention Proceedings*, 1901, p. 234, and 1919, p. 74.

² Reprinted from Adolf Sturmthal, *The Tragedy of European Labor*, 1918-1939, copyright 1943 by Columbia University Press, pp. 3-5, 8, 11-12, 12-15.

University, and is now professor of economics and director of the Institute for Economic Education at Bard College.

"What happened to German labor was the result of the unions' mixing too much with politics. We American labor leaders are now more decided than ever not to take part in the political game." This was the conclusion of a leading official of the American Federation of Labor with whom I talked in the spring of 1938. It was the opinion of a man particularly concerned with the international connections of the American trade unions. We had discussed the danger of war in Europe, the victory of Hitlerism in Germany, and the dissolution of the German trade unions. My American friend was visibly disturbed by events in Germany, but his attitude was more that of a spectator than that of a man who feels that his own cause is endangered. The lesson which he drew from the fate of German labor was only the reaffirmation of the time-honored anti-political theory of the American trade unions. . . .

This anti-political bias which my labor colleague represented was wrong in every respect. It is hardly necessary to point to the fact, obvious by now, that even the most non-political attitude could not have saved European labor from destruction by fascism, since a totalitarian dictatorship does not tolerate the existence of any independent organization, be it only an Association of Stamp-Collectors. I intend to show that European labor, far from "mixing too much with politics," was not sufficiently politically minded and hesitated to accept real political responsibility commensurate with the political and social pressure which it exercised. It was this fact, more than anything else, which caused the downfall of European labor and, at the same time, of democracy, since

both perished by the same processes. Democracy could not prosper without the active participation of labor, and on the other hand, labor could not be crushed without the simultaneous destruction of democracy. I shall demonstrate that the labor organizations across the Atlantic had too much the character of pressure groups and were not enough concerned with the fate of the community of which they formed a part for democracy to function smoothly, and for labor itself to prosper. Finally, I mean to show that blindness to the peculiar problems which the existence of large labor pressure groups created for democracy was common, with very few exceptions, to all factions of European labor. The bitter feuds within the working class organizations, between Socialists and Communists, reformists and radicals, had little reference to the basic weaknesses of European labor's actions—the lack of real political participation and constructive thinking on basic social problems. . . .

In order to defend the thesis outlined above, it will be necessary, first of all, to show to what extent both European and American labor organizations partake of the nature of pressure groups. A pressure group, as distinguished from a political party, is directly concerned only with a narrow range of problems, namely those immediately affecting the interests of its membership. American unions have avoided, in most cases, taking a stand on problems that are not related to wages and hours, rights of collective bargaining, social insurance, and a few other social issues. They rarely express any opinion on problems of agriculture, or of education, and unless a serious crisis develops, they have very seldom taken a stand on questions of foreign policy. And even if they do, no action is undertaken to impress their views on such problems upon the policy makers.

Compared with American unions, the

European labor organizations might seem at first glance to have been deeply engrossed in political action. The leading European labor organizations were political parties, mostly Socialist, to a smaller extent Communist. They took part in elections, held government offices, formed governments. They stood for a political program which demanded not merely full political rights and higher material and cultural standards of living for the industrial workers, but also a full Socialist reorganization of society.

All this, however, was largely surface activity. Scraping below it, we would find, well hidden in the maze of political action but determining its content, the same pressure group mentality that is characteristic of American labor. For most Socialists, during the entire period between the two wars, and most Communists after 1923, Socialism was a distant objective which had little influence upon present-day action. Their actual objective was the defense of the interests of industrial workers in much the same way as the American unions represent the interests of their members. They realized that their Socialist program could be carried out only after labor had achieved full power. Their immediate activity was thus restricted to immediate demands which fell into two types: social demands as advocated by and for the trade unions, and democratic demands as proclaimed by all democratic elements, labor and bourgeois alike. These were their real objectives until the day should come when, with full power in their hands, they could create a Socialist society. To all intents and purposes, therefore, the labor parties acted as pressure groups. . . .

Pressure groups of such size, emotional impetus, internal cohesion, and precise organization are bound to create serious problems for democracy. Democratic government was confronted not with a diffuse

mass of citizens, but with an organized power almost equal to that of the civil authorities. The Executive Committee of the German Social-Democratic party (Sozialdemokratische Partei Deutschlands), sitting in the center of a web of organizations stretching all over the country, with an income of many millions of marks and with hundreds of local administrative offices, was a second government rivaling the official one.

If the mere growth of labor pressure groups was sufficient to interfere with the smooth functioning of democratic government, these problems took on increased seriousness when the labor parties and the social forces opposed to them became almost equal in strength. This situation, described by the Austrian Socialist leader Otto Bauer as a "balance of class forces," prevailed in most countries of Western, Central, and Northern Europe during the period between the two world wars. The middle class was no longer strong enough to govern freely according to its own ideas, against the powerful opposition of labor, while labor was not yet strong and politically mature enough to take over the reins of government.

As a government by a majority against a minority, democratic government functions best when there is a large and unified majority. A narrow majority, or a majority split internally, does not permit strong government, able to carry out long range policies or basic reforms. When a "balance of class forces" exists, democratic government therefore becomes weak. It requires continuous compromising for a majority and a minority almost equal to it in strength to carry on parliamentary government. . . .

European labor was not politically mature enough to play a political and constructive part in this emergency. The working-class organizations were strong enough to make life difficult for many

employers, and to delay and hinder wage reductions that were unavoidable as long as the governments pursued orthodox monetary and financial policies. But labor was incapable of showing a way out of the depression. It is possible that labor would not have been strong enough to obtain a real leadership even if it had realized its task; but the essential fact was the failure of labor to understand that it could win only by constructive political action. . . .

Whenever a balance of class forces exists, the smooth functioning of the democratic machinery depends upon the political wisdom of both sides engaged in the struggle. If democracy is to survive, both parties in balance must recognize that neither side, being of approximately equal strength, can hope to defeat the other; and that continued and ruthless social warfare will endanger the democratic system under which they live. Unless a way out is found, the large mass of the population not vitally engaged in the issue, but suffering under the prolonged social warfare, will clamor for a strong government that can keep down both opponents and establish social peace, be it at the price of totalitarian dictatorship. . . .

Although Europe provides the most conspicuous examples, the problems for democracy created by a balance of class forces tend to develop also in the United States. Since the rapid growth of American trade unionism in the last decade, a balance of class forces seems to be evolving under which the labor unions may be strong enough to prevent the smooth working of the present social system, but not strong and not constructive enough to supersede it by another. European experience points toward the dangers of democracy implied in such a social stalemate. . . .

The chances of democratic survival are considerably strengthened, however, if

both sides in a great social conflict are aware of the political implications of their actions. This means, on labor's part, full understanding of the alternatives before labor, once a "balance of class forces" has been reached. To continue the traditional pressure-group policy would mean endless conflicts out of which neither labor nor its counterpart can emerge as definite victors; with the possible result that, driven to despair by continuous strikes, lock-outs, and perhaps a situation approaching civil war, large parts of the population would clamor for the strong man who could hold down both labor and its enemies and restore social peace.

The alternative is real and responsible political action by labor. This does not necessarily mean that labor must organize as a separate political party; indeed, the formation of a political party is not enough. Labor must be willing to accept the responsibilities of leadership and must be conscious of the interests of the entire nation rather than of the industrial working class alone. In other words, labor must either submit to the necessities of the existing social order or transform it by taking the initiative for constructive action. It is this constructive effort which I designate by the term "political action."

J. B. S. HARDMAN¹

Labor Parties in the United States

The first labor party in the United States and in the world was the Working Men's party launched in 1828 by the Me-

¹J. B. S. Hardman, "Labor Parties: United States," *Encyclopaedia of the Social Sciences*, copyright 1932 by The Macmillan Company and used with their permission, Vol. 8, pp. 706-08.

chanics' Union of Trade Associations of Philadelphia. In the next few years the example was followed in New York, New Jersey, New England and states west. These early labor parties were quite radical in their demands and social outlook. They were aware of the position of labor as a class in the social order and their legislative demands were aimed at furthering the interests of workers. Their social objective, however, was to achieve a middle class status for labor and their ideal was a society of small manufacturers, merchants and farmers. It was through their efforts, even if indirectly, that the public school system was established, imprisonment for debts abolished and mechanics' lien laws and homestead laws were enacted. The intellectuals played an important part in these movements. European Owenism and Fourierism found active followers in Albert Brisbane, Frances Wright, Robert Dale Owen and later Horace Greeley. Internal dissension over principles, however, destroyed the Working Men's party in New York even before the depression of 1837 crushed unionism. Intellectual utopianism, middle class aspirations and agrarianism are perhaps a peculiar amalgamation to be found in a labor movement, yet in the prevailing economic and social set up of the time the development had a logic of its own. The shifting frontiers of the country prevented economic solidification of classes on the lower rungs of the social ladder. It has been correctly observed that an independent labor politics which is free from entangling outside alliances has really never been tried in the United States.

About fifty years after the first local and sporadic attempts at labor party building significant efforts were again made to harness the potential political power of labor to class ends. The National Reform party was created in 1872 by the National Labor Union, a central federation repre-

senting local, state and national trade associations somewhat similar to the later American Federation of Labor; at its peak the union was reputed to have a membership of 640,000. The party, which was not only representative of labor but also socially radical in terms of the America of the day, did not last. The experiences throughout the stormy 1880's, which saw the rise of the Greenback Labor party in 1880 and of the United Labor party under the domination of Henry George in New York in 1886, a period marked by the Haymarket disaster, a growing anarchist movement and battles all along the line between the Knights of Labor, the socialists, the Populists and the AFL, resulted in what seemed a final abandonment of all hope of labor partyism. The activist and class conscious labor elements bent on using independent labor politics in the class struggle reconciled themselves to limited functioning within a party of creed instead of a party of class. The Socialist Labor party was established, then was split and largely superseded by the Socialist party, which in turn was split and greatly weakened by the Communist party. Not until the end of the World War did there appear signs of a regenerated interest in a labor party. The first labor party of the new period arose in Bridgeport, Connecticut, in 1918 as an after effect of the machinists' eight-hour movement. The movement, which assumed national proportions in 1919 but disappeared again in 1925, was the result of two major factors—the phenomenal if temporary rise of the United States as an agricultural produce exporting country and the impact upon American labor of forces and influences which followed the war.

Stimulated by the war prices spurted upward, improving the position of the independent farmers but also stimulating large scale farming based on control of transport facilities, grain elevators and

credits. The small farmer facing a rapid loss of his independence turned for aid to group but not collectivist cooperation and to independent farmer politics. The National Nonpartisan League, a defense apparatus of small and middle farmers, entered politics class consciously in 1916 through organized participation in Republican and Democratic primaries and soon developed spectacular strength; by 1918 it had secured a majority control in the legislature of North Dakota and impressive minorities in Idaho, Minnesota, Montana, South Dakota, Colorado and Nebraska. The league became a party in fact if not in name. The logic of its growth, with the relentless fight against the league by the parties of corporate capital, made a farmer-labor alliance logical and necessary. A working relationship seemed the more possible, since the league was led by men of socialist background and experience, for in Minnesota especially the socialists had achieved not inconsiderable standing in the pre-war years.

Trade union labor experienced an organizational and an intellectual revival during the war years. The first resulted in a considerable growth of trade union membership. The second was more intensive than extensive. The repercussions of the Russian and German revolutions stirred American labor profoundly. The phenomenal rise of British labor to political significance inspired the younger subordinate leaders in the trade union hierarchy; they saw in independent political action a leverage against the older men whose stock in trade or power not infrequently consisted only of the advantages of an illicit political alliance with the old party machines. A political labor party would give the new man a place in the sun, would tend to dislodge holdover leadership. Some unions, especially those whose membership was generally radical, as, for instance, the coal miners' union, were

committed to the idea of a labor party. In other cases, as in that of the transportation unions, economic action was almost impossible except by way of political pressure. The year 1919 was a banner year for left orientations in the United States. The gigantic steel strike; the general strike in Seattle, Washington; the Boston police strike; the miners' nation wide strike, which was crushed by an abrupt and drastic interference of the federal courts at the instance of the government and at the behest of the mine operators, were but instances of the chain of events which set in motion an enormous psychological transformation. On January 11, 1919, the American Labor party of Greater New York was organized by delegates of the local trade unions. In May of the same year the Pennsylvania State Federation of Labor declared for independent political action, to be followed in September by similar action in Indiana. In April the Illinois body at its annual convention took steps to form a state labor party. On November 22, 1919, the National Labor party was launched.

In all these movements local and state union officials took an active part along with direct representatives of the rank and file, while national union heads were conspicuously absent. The American Federation of Labor as such was entirely opposed to the movement. In 1920 the Farmer-Labor party succeeded the National Labor party, running candidates for president and vice president under that party name. The vote the party received was very disappointing. Of the more than 4,000,000 workers who participated in the mass strikes of 1919 and of the many sympathizers who followed the strike movement with anxious interest only 265,411 voted the Farmer-Labor party ticket in 1920. This setback did not, however, altogether end the careers of the various state and local parties. Another effort, of a different

orientation, was in progress. It took the shape of a Conference for Progressive Political Action (CPPA), a somewhat loosely organized body of numerous national trade unions, local, state and national labor parties, including also the Socialist party but not the Communist party. The CPPA was organized in February, 1922, and soon became the storm center of the issue of independent political action. Opposition to the traditional inactivist political policy of the AFL doubtless chiefly motivated the participants in the CPPA. There unanimity ended. The majority of the CPPA, led by the powerful railroad brotherhoods, favored an active nonpartisan policy and operation through old party primaries where possible, feasible and promising.

Numerous attempts by the adherents of independent labor action to form an impressive national farmer-labor party through the forces gathered around the CPPA failed, and the organization went no further than to run Senator Robert M. La Follette and Senator Burton K. Wheeler on an independent Progressive ticket in the 1924 presidential election. The Socialist party stood by the ticket. The Executive Council of the AFL halfheartedly endorsed the ticket with the stipulation that it was endorsing the two men but not their Progressive party or any prospective independent party. La Follette polled 4,822,856 votes, or 16.6 per cent of the total of 29,091,417 votes cast. The CPPA survived the election just long enough to prepare its demise. The convention of 1925 adjourned without fixing another meeting date. The labor party movement once more went into eclipse.

In Minnesota, however, there has existed since 1920 a functioning political labor organization, the Farmer-Labor party. It grew out of an informal merger of two forces which were at one time influential: the Socialist party in the cities

and the National Nonpartisan League. After many structural and political zig-zags the organization succeeded in lining up the trade unions for steady joint action with the farmers and has thus been firmly established as a significant factor in the political life of the state. In 1932 there were in office, elected by the Minnesota Farmer-Labor party, the governor (from 1930), one senator (from 1922), one congressman (from 1928), about one third of the two houses of the state legislature and the mayors of four cities, among them the three largest in the state. Generally viewed as the potential nucleus of a national farmer-labor party and with its leaders openly upholding that view, the Farmer-Labor party nevertheless endorsed the Democratic presidential candidate in 1932. The Minnesota experience in its application to certain vital points of contention bears out the conclusions of Rice: "In . . . Minnesota, the data are convincing that farmers and working men have supported the same candidates . . ." and that "Should questions involving political reform, public utilities, or the rights and privileges of labor or agriculture become dominant issues . . . there seems a possibility (on the basis of our legislative data) that a successful political alliance between these classes might develop" (*Farmers and Workers in American Politics*, pp. 183 and 219-20).

The only other labor party in the United States which claims a state wide jurisdiction is the Independent Labor party of Pennsylvania, although its existence has been altogether nominal. Recent attempts to form local labor parties include the following: the Labor party of Cook County, Illinois, organized in 1930, largely an adjunct to the Socialist party; the Independent Labor party of Kanawha valley, West Virginia, created by the independent West Virginia Mine Workers' Union after the failure of its strike in the summer of 1931;

the Independent Labor party in Philadelphia, sponsored by the American Federation of Full Fashioned Hosiery Workers in that city and hardly distinguishable from the local Socialist party; the Labor parties in Kenosha, Wisconsin, in New Bedford, Massachusetts, and in Elizabethton, Tennessee, all passing outgrowths of workers' resentment against strike defeats.

These labor parties which appeared after the breakdown of the "prosperity era" may be and probably are representative of unexplored potentialities, but, save in the Minnesota case, they are symptoms at best and not active factors. There is still no functioning national political labor party in the United States. Furthermore the registered membership of all the socialist or creed parties, however potentially valuable it may be considered as an organizing force, is rather negligible and is in no wise comparable to the strength of the continental working class parties whether they be socialist, communist or labor.

HELEN L. SUMNER ¹

Political Program of Labor—1830

Helen L. Sumner (1876-) was formerly associated with the Wisconsin school of labor economists.

During the campaign of 1828 the chief evils for which remedies were demanded by the working people were four in num-

ber: "the legislative aid granted for monopolizing, into a few rich hands, the wealth creating powers of modern mechanism"; "the excessive distillation and vast facilities for vending 'ardent spirits'"; "the lottery system"; and "the want of an enlarged and more general diffusion of views and real intelligence among the mass of the people." . . .

In the last number now in existence of the *Mechanics' Free Press* appears conspicuously at the head of the editorial column the following list of "Working Men's Measures": "Universal education, abolition of chartered monopolies, equal taxation, revision or abolition of the militia system, a less expensive law system, all officers to be elected directly by the people, a lien law for labourers, no legislation on religion." . . .

The workingmen at one time or another expressed themselves upon some sixteen to twenty separate questions of state and national importance and upon half a dozen local issues. On seven of these subjects they were particularly emphatic and insistent. These were monopolies, paper money, mechanics' liens, imprisonment for debt, the militia system, lotteries, and public education. The money question, which was first specifically mentioned in 1829, was really a part of the monopoly question, for the chief monopolies complained of were banks and these banks issued the paper money to which the workingmen objected.

The demand for the abolition of all monopolies, especially banking monopolies, brings out the main economic motive behind the uprising. The opposition to banks was dictated by two considerations: first, that paper currency, which at that time meant, not government greenbacks, but bank notes, defrauded the wage-earner of a considerable portion of the purchasing power of his nominal wage, a strictly "wage-conscious" consideration; and sec-

¹ Helen L. Sumner, in *History of Labour in the United States* by John R. Commons, David J. Saposs, Helen L. Sumner, E. B. Mittelman, H. E. Hoagland, John B. Andrews, Selig Perlman—With an Introductory Note by Henry W. Farnham, copyright 1918 by The Macmillan Company and used with their permission, Vol. I, pp. 216 ff.

ond, that banks restricted competition and shut off avenues for any man who did not enjoy their credit facilities. . . .

Though the workingmen's movement had for its keynote the desire for complete equality among all citizens of the State,—a condition which, mistaking the words of the Declaration of Independence for actual reality, they assumed to have been ushered in by its very proclamation—it was inevitably driven to demand for the mechanic more than an equality with the capitalist. Thus, as early as 1829 labour's inferior bargaining power forced the workmen to ask that the State grant to labour privileges over and above those granted to capital. The specific demands of this nature were for a mechanics' lien law and the abolition of imprisonment for debt, both soon destined to become the first instances in America of legislation for the protection of labour. . . .

As compulsory service in the militia and the lottery system affected the daily life of every workingman, these subjects were given great prominence, especially the former. . . .

The paramount emphasis laid upon education shows that the workingmen's movement was a revolt primarily directed against social and political rather than economic inequalities. For the general system of education, which was the most important and most frequently repeated demand of the workingmen, meant primarily public schools free from the taint of charity. "We are well aware," said the "city delegates" in 1828, "that large endowments have been made to colleges for the rich; and that some appropriations have been made in the establishment of Public Schools for the Poor; but to the latter of these institutions the mark of the beast has been affixed in the most repulsive characters, and that which should have been to us a matter of right, is dealt out in the

less palatable form of charity to the 'needy' and 'indigent.'" And the address of the "county delegates" closed with a denunciation of "the manner in which the funds wrested from us for the purpose of education . . . have been appropriated." "In many of the schools under the supervision of the directors we find," it said, "instead of experiencing the sympathetic feeling, or friendly regard of prudential teachers, the children are treated as the convicts of the work-house, having to submit to the tyrannical government of masters, who not having their own passions under control, and being withal filled with prejudice, and having imbibed from their employers a due proportion of their aristocratic feeling, are the last men on earth to whose guardianship the children of any generation ought to be entrusted."

SELIG PERLMAN
and PHILIP TAFT¹

Political Program of Labor—1918

The American Federation of Labor had its own blue print of the "new era" which was to follow the war for the preservation of democracy. Its Reconstruction Program demanded the right to organize, an American standard of living with reasonable hours of labor, equal pay for women, the abolition of child labor, the right of public employees to organize, the government ownership of public and semi-public utilities, the development of water power and water transportation by government, a

¹ Selig Perlman and Philip Taft, *History of Labor in the United States, 1896-1932*, copyright 1935 by The Macmillan Company and used with their permission, Vol. IV, Labor Movements, pp. 410-11.

graduated tax upon usable land above the acreage cultivated by the owner, a guarantee of free speech, improved workmen's compensation laws, drastic limitation of immigration, a progressive taxation of incomes and inheritances and a tax upon land to force owners to put it back into use, the development of state colleges and universities, municipal, state, and federal employment agencies under joint control of employers and trade unions, improved housing, opposition to militarism, and a generous treatment of the returned soldiers and sailors.

AMERICAN FEDERATION OF LABOR¹

Political Programs of Labor—Post-World War II

VETERANS

For those in the armed services the American Federation of Labor proposes:

1. Demobilization pay to provide opportunity before adjustment to civilian life.
2. Hospitalization, medical care and rehabilitation for the injured.
3. Effective right to complete education and training interrupted by war service or to retraining.
4. Special assistance in finding employment.
5. Interim placement benefits effective three months after demobilization and to continue for two years after reentering the work force.

¹ American Federation of Labor, "The Federation's Postwar Program," *American Federationist*, May, 1944, p. 32.

THE NATIONAL WORK FORCE

For all wage-earners the American Federation of Labor proposes:

1. Federal interim unemployment benefits for two years.
2. Early enactment of a federal social insurance system covering all workers in private industry and groups of self-employed persons, providing insurance for emergencies interrupting work; unemployment and short-time incapacity, long-time incapacity and old age, with provision that the Social Security Board may enter into compacts with individual states or their subdivisions for the purpose of extending social security coverage to their employees.
3. A national employment service essential to advise workers of suitable jobs and employers of suitable workers.
4. Restoration of shorter work week without material reduction in weekly earnings.
5. An end of the evil of child labor.
6. Adequate protective labor legislation at both federal and state levels.

Union Responsibilities in an Economy of Abundance. The union must assume the responsibilities accompanying the establishment and maintenance of maximum levels of production and employment. This implies the unreserved cooperation necessary for full employment with review and revision of rules and practices which were developed to protect workers in a depressed and severely fluctuating economy.

Employers' Responsibilities. As the price of free competitive enterprise—with profits to cover risks—employers must accept responsibility for directing initiative toward organization of production, employment and marketing that will maintain maximum levels of production and employment.

Through personnel policies and in collective bargaining, employers should promote higher incomes for the work force. This is essential to an economy of abundance.

Union-Management Cooperation. After collective bargaining has become a customary practice, it is possible to develop plans and agencies for regularized cooperation between unions and management. We urge for all production undertakings genuine collective bargaining as the only basis for union-management cooperation.

Housing. We propose that the work of practical and definite advance planning for the rebuilding of communities be undertaken at once as a task by citizens of each and every town.

Private initiative should play a leading part in postwar housing reconstruction with safeguards against speculative abuses in construction and financing. Slum clearance and rehousing of low-income families must supplement private effort.

Public Works. A program of needed public works and services ready to be let to private contractors should be available to supplement private employment in the conversion period and to start as soon as a trend toward production decline appears obvious.

Fiscal Policy. Our national fiscal policy must promote our fundamental purpose—high levels of production and employment. Our accumulated national debt and interest charges thereon will mean sustained high tax rates, but if we maintain high production levels this will not prevent our providing adequate educational opportunities, child welfare, housing, health, public assistance and similar services.

Proposal. We propose representatives of farmers', employers' and workers' organizations should get together in advance of legislation to agree upon our joint responsibilities.

CONGRESS OF INDUSTRIAL ORGANIZATIONS¹

Political Programs of Labor—Post-World War II

The CIO recognized the imperative necessity of substantial wage increases both to preserve the living standards of American workers and to protect the national welfare by maintaining the necessary volume of purchasing power to keep the wheels of industry working.

The expanded strength and the increased membership of CIO unions is our best defense against the anti-labor plotters of this country. We cannot and will not permit the job of organizing the unorganized to remain half finished.

Resolved, (1) That the CIO Political Action Committee be continued in its present form and as now constituted and that the Committee continue to direct the work of political education and political action of CIO and service, advise and coordinate the work of the political action committees of State and City bodies which are the instrumentalities of the political activity of CIO in the field;

(2) That this Convention urges that each international union give special attention to the work of political action within its organization and take steps to assure the formation of an active, functioning political action committee in every local union.

(3) That this convention pledges the full and wholehearted support of the organizations of CIO and the CIO Political

¹ Congress of Industrial Organizations, "Resolutions," [passed at annual convention of CIO in Atlantic City, November, 1946] *CIO News*, November 25, 1946, pp. 14, 15, 17.

Action Committee and their complete cooperation in the urgent political tasks which it is now called upon to undertake and which require the strengthening and intensification of its work.

The struggle for a guaranteed minimum annual wage at a level sufficient to insure an adequate income is part of the struggle for the preservation of our human resources. But it is more than that. It is a struggle to bring to our economy a stability which will assure a sound economy.

A guaranteed minimum annual wage is a just and sound means of bringing security to workers in industry and at the same time establishing an expanded purchasing power as a foundation for a stable economy.

Security of the worker in his old age, the guaranteed minimum annual wage, adequate sick benefit plans, hospitalization programs and pension plans are all within the scope of collective bargaining. The CIO recognizes that if it is to truly serve its members it must conduct a vigorous collective bargaining program to bring to its members a coordinated program of security benefits.

The collective bargaining relationship must become a means of assuring security to the worker against the hazards created by his employment. Very marked progress in this direction has been made by the Amalgamated Clothing Workers, the Textile Workers Union, and other CIO unions.

The CIO intends immediately to develop a broad program so that workers may be given a rounded protection in their living standards through collective bargaining contracts providing for adequate pension plans, health insurance plans, group hospitalization programs, and the guaranteed minimum annual wage.

NATIONAL POLITICAL ACTION COMMITTEE¹

Every Worker a Voter

All people who work for a living—that includes all factory workers, white-collar workers, small farmers, professionals, and small businessmen—and their families need community organizations to protect their interests.

What kind of community organizations do these have to be?

They have to be political organizations.

The reason for this is obvious. If you follow through any problem in any community, you soon find out that it leads you all the way to the city hall or the state capitol or, finally, to the Congress of the United States. Take the simplest problem, such as the high cost of living, or the Black Market, and you find that though it starts in your neighborhood grocery store or butcher shop, *if you want to do something about it*, you have to do something about the Congress that writes the price control laws and decides how they will be enforced.

The people who are organized in the communities for political action can call meetings, send delegations to public officials, send letters and telegrams to their Congressmen and Senators and make their will known. They can get action.

If they don't get action, they can turn out on election day and elect Congressmen and Senators who will listen to the will of the people.

Just as organization in the plants wins you rights as workers, organization at home can win you rights as citizens.

It is as simple as all that.

¹ National Political Action Committee, *Every Worker a Voter*, CIO, New York, 1944, pp. 4-12.

A COMMUNITY ORGANIZATION IS A
COLLECTIVE BARGAINING AGENCY

A political action organization in the community is the best agency of the people to protect their interests.

When a community organization speaks to a Congressman, it speaks with the voice of the voters who put him in office and whose interests he was elected to represent.

Community organizations are good. Community organizations are powerful. But until the CIO got on the job to do the organizing, there were no community organizations *to protect the people.*

Today, in many towns and cities, the same trade unionist who would not dream of taking up his own grievances or fighting for a wage raise with his boss all by himself, still goes home from the shop and tries to bargain and to settle all his grievances in the community all by himself.

This is bad at any time. It is particularly bad this year, when so much hangs in the balance of the coming elections.

That is why we are asking you to start building your community organizations *right away.*

We must build them fast enough and solid enough to do the big job that has to be done this year.

WHO WILL DO THE JOB?

The workers need political action community organizations as much as they need their trade unions. And just as the trade unions were built by the workers themselves, so also will they have to take the lead in building up their own community organizations.

Some people may get cold feet at the thought of how big the job is. A community organization in every precinct or election district in the entire United States! That is a big job!

But all *you* have to worry about is your

own block, or your own precinct. *If the workers in each neighborhood organize that neighborhood—the United States will soon be organized.*

Because of their union experience, union men and women are expert organizers. In the shops they use their organizing talents only on their fellow-workers. In the communities they can and should organize not only workers but also non-labor groups. They should include the professional and the small businessman and the unorganized worker and the housewife.

Union men and women must take the lead. They have the know-how. They must show the rest of the people in the community how to do the job.

LOVE THY NEIGHBOR AND ORGANIZE HIM

By now, you want to know: Who starts the ball rolling?

The answer is: You!

By that we literally mean *you*, whoever you are, reading this pamphlet. If there is no organization for political action in the neighborhood where you live, it's up to you to build one—now.

You take the lead.

It may sound difficult. But it is really quite easy—if you are willing.

There are no fixed rules on how to start a community organization. We suggest that you should take the following steps:

Step 1: Talk to friends. If you are a shop steward or a member of a grievance committee, or if you have had any union experience, you know that the first step in organization is to start talking organization. You may do that by getting together with a group of union men and women in your block—or just by calling on your neighbor and his wife to talk over the idea of a community organization. Do that today or tomorrow. Do not delay it.

Step 2: Convince them of the need. Point out to your friends the importance of organizing the community to act politi-

cally and how urgent the 1944 elections will be. Convince them of the fact that you need to organize now to fight the high cost of living, to make sure of jobs for all after the war, and to protect your interests as citizens in every other way.

Step 3: Make a list of neighbors and friends. Draw up a list of several other workers and their wives who live in your neighborhood. It does not matter whether they belong to your union or not. It does not even matter whether they are organized workers or not. Do not make the list too long or too ambitious, at first. Your group will grow faster if you build on a solid foundation.

Step 4: Decide what to tell them. Before calling a meeting of the people on your list, decide what you are going to tell them. Draw up a list of all the problems in your own community which bother and concern all these people. These may include the high cost of living, the need of a good nursery school, black markets, health and sanitation problems, and so on. Prepare yourself to show that all these are really political problems that call for political action. Most people are worried about what is going to happen to them and to their jobs after the war. They remember Mr. Hoover and 1929. Tell them what they must do this year to avoid another Hoover and another 1929.

Step 5: Then call your meeting. And tell the people what you have to tell them. Show them how a community organization would be helpful to all of you. Explain carefully that the most local of problems is a political problem. Make clear to them that 1944 will be a year of decision for all of us. Convince them that we must organize by communities and that *the time is now*.

Step 6: Get in touch with your city or county CIO council. Find out what plans they have for community organization and how they can help you. If they are ready,

they will welcome you. They will have various plans to offer you. They will have some materials, such as leaflets, identification cards and buttons, and maps of your vicinity to help you. But if they are not ready for action, go on organizing your group anyway. Elect a temporary chairman for your group. As soon as the City or County Council in your community is ready for action, you will hear from them.

Step 7: Work out a plan of action. Make sure that all the members of your original group understand the problem and are convinced of the need to organize. Then plan what to do about it and how to do it. Among the first things to be done is to get the information about your local government. Find out who is your Councilman. Also find out who are the members of your rationing board, who are the members of your other local wartime agencies. Get the name of your Congressman and look up his record on issues affecting labor and the consumer. You will also wish to make a list of other civic, fraternal and religious organizations in your community and what they are doing. Prepare to cooperate with other organizations. That is the way to get set for action.

Step 8: Make your organization into a "club." After you have had one or two get-togethers, form yourselves into a neighborhood organization. Give your newly-formed group a local name, such as "Friendship Heights Community Club." The idea of a "club" will be helpful to you later on when you really swing into action. It can become the clearing house of many community activities.

Step 9: Plan your work by wards and precincts. Your city or town is divided into political subdivisions—wards and precincts (in some places they are called assembly districts and election districts). Since we are organizing for political action, it is best to organize along political lines. For this reason, the Political Action Commit-

tee of the CIO suggests that, wherever possible, you include your entire precinct in your organization. But if this is too big an area to start with, begin by organizing your block. As you interest enough people to take in more territory, you can begin to spread out until you take in the whole precinct.

Step 10: Do the first job first. The first job your group should plan to do, as soon as it is organized, is: *registration*. You will want to make sure that every man and woman of voting age in your neighborhood is registered for voting in the coming elections. If they are not registered, they cannot vote. You can see that they register. That means calling at every home in the community—talking to every resident—urging them to get out and register. To do this job, as well as other jobs to follow, you will need help.

Step 11: You will ring doorbells. You cannot do this job by just making a plan and calling a meeting. You will need the help of most of the people working with you in your community organization.

E. PENDLETON HERRING¹

The Representation of Organized Labor

E. Pendleton Herring (1903-) is an American political scientist now with the Carnegie Corporation. He has written several successful books on the presidency and public administration.

The chief spokesman of organized labor at Washington is the American Federation

of Labor. Because of its size, its influence and power, and the inclusiveness of its membership, the Federation may be taken as the representative of the American labor movement. Through the national headquarters at the capital a close watch is kept upon all matters arising before the national government in which the interests of labor are concerned; and it is through these same offices that aggressive campaigns to secure legislation for the laboring classes are launched. The Federation has fought for decades in labor's behalf, and the record of achievement bespeaks the success of its methods. It is a "national association" *par excellence*, and the organization and membership is preeminently adapted to the new system of lobbying that organized groups of all varieties are exerting upon the legislators. The Federation can speak for the greatest number of voters of any of the organizations represented in Washington. Aside from the political parties the Federation is considered the most formidable group in the country. As has been pointed out, one of the greatest sources of strength of these organized groups lies in the number of citizens for which the organization may speak. It is here that the power of the Federation lies. Through its unions extending all over the country, the consensus of opinion of the laboring man and his economic interests are unified and made coherent to the government and the public generally. Of the many associations now representing group interests of one sort or another the Federation is perhaps the most widely recognized as the representative of a particular element of the citizenry. . . .

The American Federation of Labor in its relation to legislation operates chiefly through its Legislative Committee and its Executive Committee. In fact, the first duty the constitution places upon this latter committee is to "watch legislative

¹ E. Pendleton Herring, *Group Representation before Congress*, Institute for Government Research, *Studies in Administration*. The Johns Hopkins Press, Baltimore, 1929, pp. 126 ff. Reprinted by permission of the Brookings Institution.

measures directly affecting the interests of working people, and to initiate, whenever necessary, such legislative action as the Convention may direct." It is the Legislative Committee, however, that gives such matters special and constant attention. . . .

In addition to the above services for legislative purposes and for the influencing of public opinion, the Federation has a third agency that is unique. It is called the National Non-Partisan Political Campaign Committee. This committee serves to round out the activities of the Washington headquarters in its fight for labor. The Legislative Committee tries to have favorable bills passed; the Information Service attempts to build up a friendly public opinion; the Non-Partisan Committee strives to have congressmen elected who are sympathetic toward the program of the American Federation of Labor. . . .

It is such a program of practical and specific measures of reform that can be put through by a skillful lobby. The intent of the Federation is admirably suited to the tactics employed. Nevertheless, general schemes of social betterment have been considered by the organization. Resolutions are not infrequently adopted at the annual conventions giving the consensus of opinion of that body on questions such as education, the regulation of large industries, the government's attitude on the tariff, or on finances. These, however, are not the problems upon which the Legislative Committee expends much energy. Their interests and those of the Federation as a whole are more immediate.

In summary, then, it may be said that the American Federation of Labor, faced with the problem of keeping the government from interfering in the relations of workers and employer by statutory regulation and concerned with securing protection for certain defenseless classes of workers, is confronted with two alternatives. It must either go into politics as the party

of organized labor, or it must bring what pressure it can as an organized minority working through a lobby. The socialistic elements have long urged the former methods, but the Federation has deemed it best to work through the latter. Hence the legislative agents at Washington today play an important role in its work. . . .

The legislative agents of organized labor are much about the capitol, in committee rooms, and in the offices of congressmen, keeping in touch with the situation by personal contacts. During the sessions of Congress, the railroad legislative agents, for example, meet regularly and frequently for luncheon. Here their leader presides and the "scouts" report to the group any information they have secured that may be of interest to the cause of labor. The matter is discussed and a copy of the bill concerned is procured. If the question is one of importance, a committee is appointed and instructed to investigate and report at the next meeting.

Then, if the matter is found to be more than one of casual importance, it is brought to the attention of the head of the national organization whose interest is involved. If a decision is made to fight the matter, word is passed down the line and the legislative agents get to work. They consult with cooperative legislators, canvass all congressmen to solicit support, arrange for appearing before congressional committee hearings, collect data, and supply senators or representatives, who are helping them, with material for speeches.

In some cases it is considered necessary to arouse the constituents and have them send letters and telegrams to their senators and representatives. The labor interests consider this effective and useful. They believe that "business" has the advantage over "labor" in that such methods are not necessary for the former. They contend that all "business" has to do is to get one

of the "Big Boys" to talk things over with a congressman and he is ready to do their bidding. They say that some senators and representatives are honestly convinced of the rightfulness of the cause of "business," but that others are merely repaying their campaign supporters. In order to get the latter to realize their responsibility to the "people," organized labor believes that the constituents must write letters and send telegrams. . . .

Above all, the legislative agent makes it his business to understand the various congressmen, so that an experienced man can tell to within a very few votes just how the senators and representatives will vote on any given measure. With the American Federation of Labor and the Railroad Brotherhoods, however, it is not thought wise to wait until a congressman is ready to vote and then attempt to convert him to the cause of labor. The ambition of these organizations is to send "labor" representatives to Congress in the first place. To this end they devote much of their effort.

J. B. S. HARDMAN¹

The Drive for Power

The issue of evolving a technique of labor organization can not be approached in the light of past trade-unionist experience alone. Trade-union organization has become an exercise in power accumulation, and logically enough, all problems of labor organization must be subordinated to the aim of organization, the accumulation of power. Any method that

points toward a possible increase in the power of the organization is the right method, even if the most sophisticated and difficult. Any procedure by which the central aim and the chief reason for the existence of the union is likely to be advanced will command approval. Power of, by, and for the union, is the issue and the acid test of every trade-union organizing campaign.

Obviously, the scope of labor organization technique is as wide as the labor organization itself. Considered in terms of power accumulation, the organization problem really embraces all union activity, its direct and indirect functions, all its subsidiary and auxiliary enterprises. Political activity, whether direct, independent, or carried on through legislative lobbying and participation in non-labor parties, labor banking, labor education, collective bargaining, strikes, shop control, the assumption of responsibility for production, cooperative ventures, participation in cultural enterprises, in international bodies, all these and other manifestations of active trade-union interests and endeavors are the vehicles leading an organization to the accumulation of power, and fall within the scope of our problems. . . .

Trade unions need power in order to materialize their most immediate daily objectives. In a social order in which groups and classes contend for power, trade unions cannot lead a vigorous, growing life unless they are powerful. Generally and objectively speaking, *trade unionism is a sustained, systematic effort at power accumulation*, and this function of trade unionism is also its driving force. For power accumulated by an organized group or class of society cannot remain inactive, static. It must be put to certain uses as a result of which it spends itself and simultaneously generates new, greater power. The possession of power by a class or organized group compels action in the

¹From *American Labor Dynamics*, edited by J. B. S. Hardman, copyright 1928, by Harcourt, Brace and Company, Inc., pp. 96 f., 104 f., 108 f., 111 f.

interest of further expansion, or doom is the inevitable alternative. Trade unions which possess no power do not have to decide not to lead a vigorous, expanding life. They could not do so if they would. Trade unions which possess power can not conveniently rest on their laurels. They are obliged to set out for greater stakes and cannot avoid transgressing the bounds of their immediate objectives. Sooner or later they enlarge the scope of their activity and their ambitions to a point beyond which the social order cannot let them proceed without throwing itself out of gear. But fire is opened on advancing trade unions long before they reach "no man's land." The entrenched holders of power attempt to checkmate trade-union marches long before an actual and open encounter is in sight. This anticipation of the eventual struggle and the strategy based on the anticipation and awareness of what is ahead is the subject matter of *ultimate* objectives. In this strategy, *immediate* and *ultimate* objectives meet; in it they are integrated and correlated. . . .

Social power may, like all power, be based directly or indirectly on force, but it rests on a wider and more effective foundation than force would give it. The power that it wields in industry makes the union a force to reckon with, because industry is the basis of industrial society. The aggregate labor power of its members is the foundation of the union's power in industry. But that is not all that makes for effective social power. The union magnifies its power in industry by developing a complex relationship to the whole field of social living to which the industry is related. Under the expanding conditions of twentieth-century civilization, the union must obtain a conspicuous position in the life of the nation if it proposes to hold its status in industry. . . . In a power-relation age, trade unionism can thrive only if it harnesses social power. Trade

unionism needs power to bargain. The more power, the more effective the bargaining. The more widely ramified the power of the union, the greater the union's prospect of successful bargaining. To be successful, trade unionism must be as sophisticated in its attempts to accumulate power as is the power-relation of our industrial order. Operation from a wider base, fuller utilization of resources, make success possible if not, in some sense, certain. The wider base is supplied by the union's active and purposeful participation in the interplay of social forces. It is obliged to become a dynamic social force itself, to think and to act in terms of social power. . . .

The fundamental task of trade unionism is to achieve control of the labor supply and thereby improve work conditions in industry. In the fight for industrial control and in the exercise of that control, when and to the extent that such control is achieved, the trade union comes in contact and frequently in conflict with the productive and distributive functions of industrial society—with politics and legislation, finance, and education, with theory of law and concepts of ethics, right, and justice, with a practically endless variety of matters covered by that all-inclusive term, social living. Whatever the reactions of individual trade unionists to these matters, concepts, and conditions, the trade union as a social body finds itself related to them all in a manner which is determined by its major task, the achievement of control of the labor supply of the community. The relation of the trade union to all matters just enumerated is necessarily of a pragmatic nature. A purely doctrinaire attitude will not suffice. The trade union considers to what uses organization bodies, laws, and relations may be put. The union may not hold any definite opinions on the subject matter of the ju-

diciary but it is concerned with injunctions, with laws governing the payment of wages, and so it is bound to enter the field of law administration. The union may think it is not interested in the laws which govern interstate trade and commerce, but it is vitally concerned with child labor, and that problem can best be tackled in connection with legislation which regulates trade and commerce between states. The trade union thinks it advisable to keep out of all religious controversies, but the church is an institution within the state; it runs schools and is related to politics and to property laws,

and so the trade union finds itself obliged to record a definite attitude toward religion as represented through the church.

Effective trade unionism necessarily finds itself in the center of a great many social relations, and an active participant in attempts to solve the most vexing problems of the state in its widest ramifications. In this manner, it easily and unavoidably proceeds from preoccupation with immediate objectives to the tackling of ultimates. It cannot accumulate social power outside of an active relation to social issues, and it cannot effectively wield industrial power unless it is socially powerful.

Section II

RESPONSE OF MANAGEMENT

8. Management Characteristics

HOW MANAGEMENT responds to the union movement or to a particular union is frequently explained in personal terms not only by labor leaders but by representatives of management. Those who act co-operatively toward organized labor do so, according to the supporters of unions, because they are liberal, progressive, farsighted, humanitarian; according to the opponents of unions, because they are weak-kneed, spineless, sentimental, or blind. Those who fight unions are reactionary, shortsighted, selfish; or, alternatively, they are men of courage, conviction, and vision. No doubt such personal qualities have influenced the reactions of many individuals to unions. It would be inaccurate to disregard the effect of personal tendencies among managers upon the process of collective bargaining and the establishing of unions and of relationships with them. If it is assumed, however, that unions are here to stay and that somehow they must be geared in to industrial, political, and social life in America such explanations are not very helpful. Both labor leaders and management themselves will approach the problem of mutual working relations more intelligently if they are aware of the sources of management response not merely in personal qualities but also in compulsions placed upon managers by the nature of their goals and by the character, structure, and objectives of the organizations through which they seek to achieve them.

The readings which follow can be only the merest introduction to this subject. It is explored intensively and extensively in courses given in business schools and in texts written for such courses. It has received exhaustive and thought-provoking treatment in such books as Barnard's *Functions of the Executive*. Since, however, available written materials do not lend themselves to a book of readings of this size, several of the selections will be by one of the editors. Although the selections must necessarily be more brief than is desirable, we can suggest a point of view from which to interpret management reactions to unions which should decrease the tendency to label them entirely as the outcome of personal peculiarities. Not only is such labeling inaccurate, but it leads to personal animosities which interfere with good working relations between labor and management. It may lead to a dependence on personal friendship which provides an unsteady basis for such relations and to charges of personal betrayal when organizational requirements over which the individual has no control impede personal understandings.

The point of view here suggested is that men are impelled to action by the structure of living of the group with which they are identified and associated, and that the structures of living are not the same for workers, union leaders, and management. In order to understand how a manager acts and will react, one has to know the details of the structure of living for his group. What are the elements in that structure of living? It includes first of all the goals and standards of success for people in his group. It includes the resources of human equipment and of social devices and institutions (such as his own company organization) available to him and others like him. The particular character of his functional obligations, the communication system, the authority and deference system, the system of rewards and punishments, the organizational charter of this company are especially important. These systems and devices furnish him with the real obstacles to and opportunities for reaching his goals. His structure of living includes the habitual ways of acting and thought that have resulted from the experience of men of management in overcoming these obstacles and making the most of opportunities. It includes the traditions, folklore, symbols, slogans, and ritual he and his kind have devised or adopted to make that action appear right and dependable. A manager's actions have to be more or less consistent with that structure of living if he is to be successful in his job and live with the people he knows best. When the union appears, the degree of his acceptance of or opposition to it will vary with his estimate of the possibility of gearing it into his structure of living without creating too great a disturbance. The selections which follow are designed to clarify certain parts of management's structure of living and to suggest ways in which it may be affected by the presence of a union or unions.

ROBERT AARON GORDON¹

The Nature of Business Leadership

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Let us consider briefly what we mean by business leadership. Direction and co-

ordination are required in any type of economic system that has progressed beyond the stage of self-sufficient family units. If we have division of labor and production for a market (even though the needs of consumers are not evaluated through the price mechanism), the necessity for the integrating and guiding role of economic leadership exists.

This function may be exercised in different ways. In a completely socialist system, government officials would perform it. In a free enterprise system, the function is carried out by those who direct the affairs of individual business firms. These men may be the owners of their enter-

¹ Robert Aaron Gordon, *Business Leadership in the Large Corporation*, The Brookings Institution, Washington, D. C., 1945, pp. 3-10.

prises. They may be paid executives, directors, bankers, or stockholders. In the very small firm, the function may be entirely performed by a single individual. In a large corporation, it is more likely to be shared by a group. Production for a market in a changing and uncertain world creates the need for leadership. But a variety of conditions determines how and by whom that role will be exercised at a particular time and place.

Today, in the highly developed economic systems of the Western World, the men who perform the leadership function stand at the center of the productive process. Upon them converge the demands of consumers, which the business leader evaluates and translates into offers of employment to labor and the other productive agents. He determines what should be produced, in what quantities and at what prices, and he is also responsible for determining the methods by which production should be carried on. Because of his position at the center of the productive process, he acts as the agent through whom the national income is distributed to those who participate in production.

In the world of change and uncertainty, the business leader becomes a vital element in the very process of change itself. As demand shifts or as new developments occur calling for new methods of production, these (and other) changes show themselves in our present system in the form of altered price relationships and profit expectations. The business leader is the one who detects and evaluates the new situation and directs the making of such adjustments in the economic system as seem necessary to him. The business leader also creates change: discovering new markets, introducing new products and new productive techniques, and so on.

Business leadership, then, is the function of organizing and directing business enterprises, of making the decisions which de-

termine the course of a firm's activities. By administering individual undertakings, business leaders taken together direct the course of activity in the economic system as a whole.

Many economists would give the title *entrepreneur* to the business leader and would refer to what we have called business leadership as the entrepreneurial function. The word *entrepreneur*, however, has been given a variety of conflicting definitions in economic literature. Fairly generally, the "entrepreneur" is considered to be not only what we would call a business leader but also the owner of the enterprise. Sometimes the entrepreneur's function is regarded as risk-taking rather than leadership. When the emphasis is placed on leadership, there is no general agreement as to how much actual decision-making is encompassed in the entrepreneurial function. To some economists, the entrepreneur is the "supreme co-ordinating authority" but not the man to whom important elements of decision-making may be delegated. To others, entrepreneurship might include most of the kinds of decision-making which we would include in the leadership function.

The most serious lack of agreement among economists in their definitions of the entrepreneur arises in connection with the large corporation, in which the owners are not the active leaders and in which decision-making is diffused and delegated through a hierarchy of directors and management officials. But it is in the large corporation that we want to examine how business leadership is performed. To avoid misunderstanding and controversy, therefore, we shall refrain from speaking of the entrepreneur and use instead the expressions "business leader" and "business leadership." The general nature of the function we have in mind when we use

these terms has been indicated in the preceding paragraphs.

THE SIGNIFICANCE OF THE LEADERSHIP FUNCTION

Obviously, the businessman is not independent of his environment. His course of action is strongly conditioned by a wide range of environmental pressures which bear upon him. Does this mean that the business leader is purely a passive agent, reacting mechanically to market and other pressures? This question deserves further investigation.

In a price system, the business leader relies on the price offers of consumers to know what and how much to produce. Similarly, he is faced with certain facts concerning the supplies and qualities of the factors of production, and to these also he must adjust himself. The state of technical and economic organization presents further conditions to which the business leader must adapt himself (although one effect of his leadership activity is to bring about changes in these conditions).

Finally, the institutions of the economic and political system within which he operates set limitations on the scope and direction of his leadership. In a free-enterprise system, the competition of other business leaders is a powerful conditioning force—both in limiting the range of entrepreneurial discretion and in affecting the manner in which business leadership will be exercised. Important also as a conditioning force are the pressures exerted by various interest groups which seek to wield power over the enterprise. These group pressures range from the regulatory activities of government to the power and influence of banks and other financial interests, organized labor, large customers, suppliers of strategic materials, and so on.

In a system of private property and free enterprise, the business leader is expected to make his decisions with the aim of maximizing the profits of his firm. In

what direction the search for profit will take the business leader will depend upon the technical conditions of demand and supply and the other restrictive influences mentioned in the preceding paragraph.

The fact that businessmen, in pursuing the end of maximum profits for their firms, must adapt themselves to changing market conditions led the classical economists (and many modern ones) to look upon the business leader (entrepreneur) as a purely colorless medium, through which stimuli were transmitted to various parts of the economic organism. Thus the entrepreneur was assumed to be a passive agent, reacting to his environment but not in turn having an independent influence of his own. In this way, economists have been able to concentrate upon “underlying forces” and to assume that these forces automatically had certain definite and foreseeable effects upon the economic system. This method of mechanistic analysis was facilitated, or rather made possible, by the classical assumptions of free and perfect competition and of perfect economic rationality (the latter defined to mean the automatic pursuit of the largest possible gain to be secured from alternative lines of action open to the individual).

While it is perfectly true that the business leader's independence is circumscribed by a given economic environment, this does not mean that he is entirely a passive agent who reacts automatically and in predetermined fashion to events as they occur. Actually, the business leader plays an independent role of some importance. Profit may be the guiding motive; but economic situations must be translated into profit possibilities. A given situation may lead to any one of a number of courses of action, depending on how this process of translation is performed. Not only the character of the businessman but also the particular organization for leadership within which he operates makes a difference. Economic leadership in the

giant corporation is not the same thing as in the relatively small-scale one-man concern. The techniques of decision-making are substantially different in the two types of organization. So are the incentives to which the business leader reacts.

Further, the profit motive must be pursued within the limits imposed by the institutional restrictions previously mentioned, for example, government regulation or the pressures exerted by various economic interest groups that acquire power over the enterprise. These institutional pulls, as well as prices and prospects of profits, make up the environment to which the business leader reacts. The economist ordinarily ignores such institutional factors. But they cannot be ignored if we are to understand how business leadership is actually carried on. We cannot dismiss the business leader as the passive means of transmitting underlying market forces to an economic system which mechanically and in predetermined fashion reacts to these forces. All the conditions surrounding the exercise of the leadership function become additional variables which must be included in an analysis of the operations of the economic system. In view of this, and in view of the dynamic importance of the business leader's function, it becomes highly important that we ascertain the actual conditions under which business leadership is carried on today and the effects which this leadership, so exercised, has on the operation of our economic system.

E. WIGHT BAKKE

The Goals of Management

The dominant impression derived from a study of the story of industrial relations

in America is that American management would prefer not to deal with unions. The management defenders of unionism as a sensible and reasonable element in industrial and business enterprise have until recently been lonely voices crying in the wilderness of more or less active opposition. The opposition has ranged from sincere efforts to provide a workable substitute making unions unnecessary to the most belligerent open warfare with no holds barred.

Present-day statements and actions of employers' and employees' associations demonstrate a fairly widespread acceptance of the inevitability of collective bargaining and a decision to develop practical ways of making it a workable process in productive enterprise. It would be unwise, however, to assume that management was entirely happy about such a conclusion or that the problems of management-union relationship had entered a stage in which reason would entirely govern actions. Management has come out of an experience and training in which the open shop seemed to most a preferred state of affairs and to many a situation worth fighting to preserve. Intelligent action from labor, management, and government can be expected only if every element of reasonableness in that position is recognized. An employer facing his first relationships with a union has a host of adjustments in activity and thought to make. The degree of his reluctance will depend in large part upon the difficulty of such adjustment.

What is the nature of that adjustment? Management like workers are trying to achieve certain objectives or goals. In type they are the same objectives. In specific content they are different because the ways of life out of which they arise are different. Managers of enterprise are seeking the experience of progress toward, and the assurance of the society and respect of their fellows, economic well-being, inde-

pendence in and control of their own affairs, an understanding of the forces which affect them, integrity within themselves and with respect to their relationship with the world and people about them. Success or failure in the achievement of these goals is worked out in the societal environment shaped by the several economic, familial, political, religious, and other social institutions of which they are a part and the groups of which they are members. The process is carried on by practices largely shared with other members of their groups, according to rules established for efficiency in and for the protection of those practices. The practice and rules are supported by a framework of philosophy, faith, folklore, slogans, symbols, and ritual developed as reinforcements by the groups. This is their structure of living, their way of life.

What effect does the union have upon it? How consistent is it? What adjustments does it make necessary? We shall consider here only the sector of this structure which has to do with the managers' task in operating the enterprise for which they are responsible.

What is the content of management's goals and how does the union affect their chances of success in reaching them?

Consider the first goal, the society and respect of one's fellows. One way of getting that is to play a socially respected role. What are these for management? How does management think of itself? What roles win them respect particularly among other managers? The following are collected from management publications, proceedings of management associations, and extensive interviews with management. They are not my description. The words are used by management in describing its own role.

First of all they are inventors and initiators. They start things, figure out new ways, take risks, take the initiative. Cer-

tainly so far as economic progress is concerned management is believed by its members to contain an unusually high proportion of people who "start the ball rolling." The conversations and literature of management describing their own role and function are filled with such terms as promoter, enterpriser, entrepreneur, problem solvers, spearhead of progress. It is full of adjectives defining management as men of ingenuity, initiative, resourcefulness, courage, daring, vision, inventiveness.

A closely related role is that of the leaders. They are a class of citizens who show leadership not only in industry but in all things of a constructive character in the community, the class "most capable to lead in the attainment of the ends toward which civilization is striving." They are decision makers, men of perspective, foresight, and balance in a troubled and confused world, the head of the business, the captains of industry, men of standing who are looked to for guidance. They are the standard bearers. "What is leadership?" asks one, and answers, "Its eternal symbol is the medieval nobleman who marched to battle at the head of his followers. A leader is a man who goes out in front and takes chances. That is the role of management."

In addition to inventiveness and leadership is the role of the organizers. They are the directors and controllers of enterprise. They organize, coordinate, gear together the factors of production. They reconcile the conflicting interests of workers, stockholders, suppliers, and customers. They are the planners. They are the coaches of the team. They plan the strategy and the plays by which all members of the team operate as a unit toward a common goal. They train the players each for his own position. They furnish and simplify the channels of communication between the various units and persons in the enterprise.

They are executives and supervisors. They plan and supervise the dispensing of rewards and punishments to stimulate the best efforts of all involved. They are the ones who have to look the pay roll and the balance sheet in the face. They are the intelligence and brains of the organization. "As the function of the brain in the body, so is the function of management in enterprise." To perform this role they must be men of efficiency and competence. If to be a leader they must fix their eyes on the stars, to be an organizer they must keep their feet on the ground. They must be hard-headed practical men. They deal in facts not theories. But because the factors and forces and people which they must coordinate are so many and complex no man can know them completely. They must therefore count heavily upon their ability to sense the situation, to be men of intuition.

In performing in these roles however they are not completely their own masters. The words *trustee* or *steward* rate high as definitions of a socially respected role for management. It is obvious that they are trustees for the investors' money. But the meaning of trusteeship extends beyond this. They are trustees of the interests and welfare of their workers and customers as well. To many the stewardship implies a responsibility to the public welfare in the present and in the future. Increasingly the literature of management stresses these larger responsibilities implied in the role of trustee. But even in its simplest meaning involving responsibility to stockholders it imposes a genuine pattern upon the operations management considers proper and possible. Legal controls and personal advancement are thoroughly involved in discharging this trusteeship in a competent and honest manner. The managers who do so are expected to be conscientious, responsible, fair-minded, levelheaded, and honest men with a pri-

mary concern, however, for the group for whose money they are trustees.

Men might think of themselves in no terms bigger than effective managers of a business in applying to themselves the titles of initiators, organizers, leaders, and trustees. The roles described below normally, although not necessarily, require a larger stage.

Managers conceive of themselves as *builders*. They are builders of their own institution, the firm for which they work, but the really outstanding manager is a builder of more than his own company. They are the creators of national wealth. They are the constructors of American industry upon which the strength of the nation rests, which has made America the land of opportunity with the highest standard of living in the world, the envy of all the peoples of the globe. They have been the architects of the American system. They have built the material foundations upon which America's achievements in art, science, education, and democratic government rest. The word "constructive" in their vocabulary is colored by the awareness of such results of their construction. Their conservatism is an opposition to whatever would destroy or endanger these results. The desire to preserve is given power by the conviction that this foundation is the work of their hands.

A role with still wider significance is that of *benefactor*. Such a role is implied in the faithful performance of the roles previously mentioned even when they are played on the stage of business operations alone. Through his managerial functions the manager benefits the workers by providing them with jobs. Whether he is selfish or altruistic in improving their wages, hours, and working conditions he is performing a service for them in making such improvement. The reward he anticipates is not merely a more efficient working force, but the loyalty and grati-

tude of the workers as well. More than this he is the keeper of the "goose that lays the golden eggs" for everyone. Since what is good for business is good for the country, if he does his job as manager well he is the benefactor of all the people. This is the basic content of the role, but its meaning is amplified by the personal and corporate contributions to charity, the arts, education, and public improvement. A further opportunity for playing this role is given by memberships on and chairmanships of numerous committees advancing the interests of public institutions. A reading of the obituary notices in any metropolitan newspaper will indicate the range of such activities in which American leaders of business and industry consider it important to participate as promoters of the public good. The public service symbolized by a framed certificate for government service with the dollar bill given in payment for a year's service stretched across one corner is to be seen in many offices. In opposing all encroachments on free enterprise he is a defender of human liberty and democracy, for these are dependent upon free enterprise.

Among the many other socially respected roles for which management strives we shall mention only one, the successful man. The evidence of this is not merely that he is a fellow who gets things done. Nor are the only symbols luxurious living, property holdings, and a large income. Success is measured by achievement in playing the socially respected roles we have named; but it is also measured by progress toward the other goals we are about to discuss. And if this has been achieved the hard way, from humble beginnings in the ranks to one who occupies a commanding position, from early frustration to later satisfaction in achieving his goals, why then the role is all the more gratifying. Arriving over

such a path he is "an embodiment of the genius of the American people."

I've given you in words used by management itself a picture of some of managements' roles, not all of them, but enough to illustrate the fact that management like every other group in society has a conception of the particular importance and significance of men who do their kind of job. All of us do that. The worker is to himself a "producer"; the banker, "a guardian of the nation's credit"; the preacher, "a minister of God"; the teacher, "a molder of young minds"; the professor, "a preserver and transmitter of the intellectual heritage of the race"; the union leader, "a fighter for the masses in their age-long struggle against oppression and exploitation."

Such glorification of one's own role is not just breast pounding. It is serious business. All of us want to be important and significant. Unless we see ourselves as playing a significant role in this amazingly complex and varied world of affairs, we are just so many peas in the pod, so many grains of sand on the beach, so many numbers on a pay roll. Sometimes we hide our personal incompetence or failures in such a conception. Most of the time our actions fall short of the roles in which we imagine ourselves. We don't always measure up to the standards required by these roles. Because we want the society and respect of our fellows, however, and because that approval is given to those who perform these socially respected roles well, we keep them before us as objectives.

Our own failures to achieve these roles we can rationalize, but when someone throws obstacles in our way we are aroused, and when the way is clear we are pleased. Now assume a man to have made real progress toward the society and respect of his fellows as a manager of enterprise through practices which have not had to be adapted to the presence of

a union. What effect would the entrance of a union have upon his experience? Would it be easier or harder for him to play these roles in the way he had always done? Would the society and respect of his fellows be closer or further away from his grasp?

The first thing that happens is that he has to seek the respect of a new group, union officers, if for no other reason than that it is good business. He isn't used to considering whether he is the kind of a fellow they respect. He didn't look to them, didn't measure his standing by what they thought of him. Now he has to do so in order to be a good organizer, leader, trustee, or successful man. He knows more how to get the respect of his fellow managers than of this group of union officers. He's had more practice.

If he succeeds he acquires increased satisfaction. Usually one finds men who have succeeded pretty proud of the fact. If he fails he is likely to resent the necessity of giving attention to this matter. In any case he faces a new and difficult task.

The second thing that happens is that the union is likely to change his problem of winning respect from his workers. In organizing, the union doesn't usually say, "Look, fellows, you've got a swell boss. He's O.K. He really has your welfare at heart. You can depend on him. You don't have to worry, he'll do the right thing by you. Therefore you need a union."

No employer believes that is the way the organizer will picture him to the workers. What he has learned about union organizing tactics leads him to believe the worst. So he anticipates more headaches in overcoming what he calls union propaganda and misrepresentation. He may honestly believe that he has the loyalty and respect of the majority of his workers. He doesn't really believe that satisfied workers want to join unions. So dissatisfaction has to be created. At best he has

to redouble his efforts to win back his workers' respect. He has to study a problem he thought was pretty well under control.

So at the beginning he is just a bit, and in some cases more than just a bit, resentful. He may never get over it if the union continues to "rain down abuse on his head." He is continuously frustrated on this score.

His only hope is that once the union is organized, the union leaders will let up, and that if their complaints are sincere and real he'll learn a lot about what is on the workers' minds and therefore be in a better position to win their respect.

The third thing that is bound to happen when the union makes its entrance is that the socially respected roles he thought he was playing are redefined. In at least two respects they are changed. He has to share the stage now with a new partner or partners, and his ability to play the role successfully depends on the competence and cooperativeness of union leaders. As a leader, organizer, trustee, builder, benefactor, successful man he has to weave his actions together with people who have the power to trip him up, set him back, confuse him and, what is worse, make him a failure. They may do it through incompetence, design, or outright malice. He doesn't quite know what to expect. He doesn't know whether he can depend on these new partners. He's sure he doesn't understand their behavior and reactions as well as he does that of his fellow managers.

In another respect, it is harder to play the roles since they are played according to rules and standards. Before the union came in, the rules and standards were pretty well defined and the process of changing them was fairly within managerial discretion. Now many of the rules have to be hammered out in the process of collective bargaining. The interests of

workers and of the union itself have to be considered in a new way. He finds a real dilemma here. He is practically certain that there will be a conflict between those interests and his ability to shape the rules of operations in a way consistent with his own objectives. He may even fear that he will be so hamstrung by this process that he can't even do his job as an organizer and director of and trustee over the enterprise, let alone act in a way that meets his broader requirements of appearing before his fellow managers and the public as an especially important leader, builder, benefactor, or successful man.

It is useless to expect that he won't have anxieties on this score until he gets a lot of practice in sharing rule-making with labor leaders. Even after practice he may not be very happy about it and may long for the old and less complicated days.

But I have met men who found in the process of collective bargaining a challenging new method of redefining and living out the roles of initiator, organizer, leader, trustee, builder, benefactor, successful man. Facing an unavoidable new set of forces and factors to deal with, they have increased their satisfaction in their own competence and in their standing in the eyes of management, workers, union leaders, and the public by incorporating into these roles the successful doing of the new task. They have refused to be satisfied with the role unless it involved dealing effectively with all the problems they faced. When time and events and unions changed the problems, they filled the old roles with new content and felt they were more deserving of respect for doing so.

Now turn to the second management goal, economic security.

The meaning of that phrase for management is different than it is for workers. It is different in the first place because their planes of living are different. The

same reduction in income might mean for a manager according to his economic status the shutting down of the country place, moving from an exclusive suburb to town, and at worst moving from a one-family to a two-family house. For the worker it might mean doubling up. For the manager it might mean a change from sirloin to round, for the worker from round to hamburger; for the manager from Scotch to Bourbon or even to a blend, for the worker from a blend to wood alcohol. This is perhaps a burlesque way of putting a worker's statement, "It makes a whale of a difference whether a cut means the difference between getting by with extras and just getting by, or getting by and going under."

A second difference between management and workers is the greater importance of physical surroundings to management in creating an impression of worth.

A more important difference between management and labor is in the technique and conditions of economic security. It is trite but true to say that both workers and management have their economic security rooted in the efficient and profitable operation of the company. But there are certain differences in the way it is rooted. Management people know more about the complicated system of operations upon which that profitability rests. They know more about the many and complex elements that have to be woven together to get that result.

Their own jobs involve keeping a greater or lesser area of that weaving together in efficient operation. They are a part of it. They know more about the many kinds of things that can change the figures from black to red. And if the company fails, two strikes are called against them in getting another job. Moreover an advance in economic security follows a different route in general for managers and workers. The typical advance for

workers is through an addition of some sum to the hourly wage for good work or because of *group* pressure. For management the typical advance is via promotion in position within or outside the company, an award recognizing superiority over other individuals. Such a process underscores more heavily individual competition as a justified element in one's philosophy of life.

Furthermore, it is well to remember that promotion within management is frequently dependent among other things on being "right" on the labor question. Promotion is dependent upon the judgment of people who have convictions about such matters.

Finally, the security of a management official is much more dependent than that of labor on any change in the personnel of top management. A shift in top management people or policy may not affect the jobs of workers, but may "clean out" certain elements in junior management.

Not all of these factors of management economic security are affected when the union enters the scene. But some of them are. The structure of operations by which the enterprise is kept going is changed because the union has to be involved. At best this is immediately frustrating because managers don't really understand the new personalities and forces they are dealing with. They have to learn their lessons on how to manage many of their operations all over again. They may find the union a real help, or they may not. The union may seem to them to be chiefly interested in throwing monkey wrenches into the machinery; or it may uncover facts that they hadn't been aware of and offer a means through which they can deal with those facts more effectively.

Management's reaction to such changes in their organizational machinery is like the reaction of workers to technical change. A business or industrial concern may be

compared to a highly complicated locomotive. Certain operating rules are developed for engineers which get the most out of that machine built as it is. As long as the structure of that locomotive has the same essential character the operating rules can remain much the same. No revolutionary change is required in the skills and training in those skills for men who are going to operate the locomotive according to the operating rules. But when a basic change is made in the structure of the locomotive, such as substituting diesel engines or electric motors for steam boilers as a source of power, the change in operating rules must undergo an equally basic change. The change is not merely one of degree, but one of kind. The locomotive is not operated in the same way. The problems and difficulties are different and require different skills and different training. The old manual of instructions and the old habits of operators have to be radically changed.

A change in the structure of business and industrial operations of that sort has taken place in many companies in recent years. The substitution of collective bargaining for individual bargaining has radically altered that structure and, with it, the techniques of its operations. Until managers get accustomed to their new jobs, if not longer, they will often question whether the economic efficiency of the company is not going to suffer, and if it does they know their own economic security is threatened.

If the junior management directly in contact with workers are working with a top management that is known to be unfriendly to labor organization their dilemma is real. They have to work out techniques of getting along with the union on the job, but what they do may make such a top management think they are soft, or disloyal. Then what happens to their future hopes of promotion?

At best then the entrance of a union produces in every management man from top to bottom, anxieties about the future efficiency of his firm with which his own economic security is tied up. His only hope is to take off his coat and come to grips with the new elements he has to deal with. Here is a new kind of risk-taking for management. If he values security more highly than the chance to move onto new frontiers he will probably wish that the union hadn't butted into his job. Even if he enjoys solving new problems, the ones raised by the presence of the unions contain so many elements of uncertainty and so many angles with which he is unfamiliar that it takes an extraordinarily daring man to say "I'm glad we've got a union."

The third goal of management is to *obtain an increasing amount of control over their own affairs.* This isn't just a personal ambition. It is a state of affairs they believe necessary for doing their jobs as managers, both as individual executives and administrators, and collectively as management.

The controller should not be controlled, the director should not be directed, the leader should not be led, by those he is controlling, directing, or leading. The person responsible for manipulating, weaving together, coordinating has to have a pretty big area of discretion in making decisions and in making changes. If he has the responsibility for the success or failure of a project he ought to have the authority equivalent to his responsibility. That's the way management as a group looks at the situation. If they are hamstrung by regulations either from government or unions, how can they meet their responsibilities, let alone find satisfaction in their jobs? Within management, of course, men do their jobs according to rules laid down by management as a group within the company; but those rules were made by their

own kind, other managers. It's a different matter when they are made by outsiders. Even the rules provide for noninterference by other management people. Now comes the union official to challenge the control and devices for control.

Another fact about unions that is upsetting to management is that they can't use their customary technique of control on union leaders. Within limits men at each level of management can control the people down the line with whom they have to cooperate by discipline methods which include firing the person as a last resort. If the junior interferes with their freedom to manage their department in a way which meets their responsibility to those above, they can get rid of the obstreperous fellow and replace him with someone more cooperative. Management can't fire the union leaders, and they have no control over their selection. The matter is completely out of their hands. Increasingly in many things they do, the attitude and behavior of the union leader is more of a problem than what his fellow management people do; but if the man won't play ball there is nothing he can do about it.

Many managements have learned to adapt themselves and their operations without complete frustration to their desire to have freedom in doing their own jobs. Some have even found cooperation with the union to be a useful technique for getting under control many problems which had baffled them. But it is no easy task to do this because a union is basically a management controlling and regulating device. That is its very nature.

A fourth goal of management is *understanding.* What makes the wheels go round? What is the nature of the forces and facts one has to deal with? What accounts for things happening as they do? Why? Why? Why? If they know the answer to that question they can plan their

own course sensibly. There is some probability that what they do about those forces and facts will be successful; and they will have the comfortable feeling that they are in tune with things as they really are. "They know the score, they are straight thinkers, they are sound, they can call the shots, their heads are screwed on right."

Every manager has a set of rule-of-thumb explanations that he uses as working principles. He gets these partly from his early education but chiefly from his experience. When he uses them he usually starts with some such phrase as, "Now, the way I figure it out is this" or, "Now there's one fundamental principle you shouldn't forget," then he goes on to give his version of some item of folklore or philosophy which enables him to arrange the facts of his daily experience in some orderly form. They reinforce him in his belief that what he does about these facts is sound.

I can't possibly list all of these convictions that most men in management have. They vary from man to man, and they change from time to time. When conditions prove them false they have to be changed, but they often persist in men's minds long after they have been outdated by the march of events. Men have to have a set of basic explanations of people and things and events, and they can't be changing it every day. In order to work together efficiently people have to use a set of explanations that is pretty generally accepted. They have to know what to count on from the other fellow, how his mind works. So just plain cooperation depends on a good deal of stability in that set of explanations.

Now let's take a look at some of them to which I think most people in management would subscribe. In most cases it will be obvious that unions and union leaders say and do things that challenge these convictions. That challenge may cause

management to stop and think, re-examine their convictions, or it may not. Even if they do they may find reason to modify them, or, more than ever convinced they are right, to insist more forcefully that the union is wrong. Some may feel so strongly that the unions are upsetting common sense and sound judgment that their influence should be reduced to a minimum if not eliminated. In any case if they had been fairly successful operating on the basis of those explanations, their progress toward the goal of understanding is seriously disturbed and they aren't particularly happy about the necessity for working out any new explanations less in conflict with the union ideas and actions. Many of these convictions are bound up in a bundle called "The American Way of Life." As a necessary element in the working of that way of life they have even a stronger hold than if they stood alone. What are some of them?

Free private enterprise is the reason for progress in America. What is good for business is good for the country. The system works, however, only when owners and managers have a fairly free hand to go about their business in their own way. These groups not only should control the process but they are the most competent to do so.

Individualism is the mainspring of our economic and political system. Anything that introduces collectivism or hampers the individual's opportunity to take advantage of his superior worth or "grasp the main chance" breaks this mainspring.

The line of progress in the industrial situation is from worker to manager, and from poverty to riches. Advancement in these respects is a sign of superior brains and ability.

The best way to preserve these values is to reward individuals in proportion to their demonstrated ability as measured by

men who have demonstrated even greater ability.

A condition of this sort of achievement is the preservation of competition among individuals, and in this competition the fittest will survive. Given competition "the big apples will come to the top and the little apples will go to the bottom."

There are natural economic laws which govern this process and which if not interfered with will work out to the advantage of the whole people, not only for employers but for consumers and labor as well. Not only businessmen, but workers, consumers, union leaders, and even government should recognize this fact and act accordingly, that is, not set up "artificial" barriers to the operation of these laws. Former President Coolidge once said, "It is the function of the legislature to discover natural economic laws and to enact them."

Unions of course interfere with all this. They regulate the manager, they destroy his freedom, they seek a voice in control, they work for group solidarity and destroy competition among workers for the differential rewards management would like to offer, they establish uniform rules, set quotas, hold the men back from doing their best. They establish monopolies and interfere with the law of supply and demand. They apparently don't understand basic economic laws and hence go ahead blindly in defiance of them.

The interest of the employer and worker are ultimately the same and hence if unions oppose the employer they are misled by unscrupulous leaders and agitators. They compete for the loyalty of the workers.

All men should be able to work wherever and for whomever they please, so a union that controls hiring and firing is interfering with personal freedom and efficient distribution of the nation's labor force.

Law and order and industrial peace are necessary at any price. Law and the courts are the embodiment of even-handed justice, therefore any attempt to stand out against them is anarchy and makes a man or union an outlaw.

Since they associate with those who hold approximately the same views, they reinforce each other, bring pressure on each other to conform.

This listing of principles of explanation is done with no intention of making moral judgments. They are products of experience. They are conclusions which appear valid in light of experience. They are not accepted in this form by all managers but they appear frequently enough in the literature and statements of management so that their acceptance can be assumed to be widespread. To the extent that these principles are different from those by which workers and union leaders may be observed to live, a problem in mutual understanding exists. But the principles of all groups are the result of experience. If experiences differ, principles will differ. If experiences change, principles will change, although slowly.

The principles listed are just illustrations. It would take a book to name, let alone describe fully, all of them. These convictions will affect reactions of businessmen to unions as much as economic interest, partly because they are believed consistent with that interest; partly because they have become accustomed to the way of acting which these convictions support. New adjustments like dealing with unions upset ideas of what is right and true. Partly it is because changes create vague fears that the whole structure will collapse. Managers sense that which the union leader does not sense, that even minor changes are likely to affect the whole of management's life.

These principles and folklore which are an integral part of our culture are impor-

tant. They are the foundation stones of decisions made about labor relations and what sort of machinery will be set up to take care of them. That is why it is important to know if at any point they no longer fit the experience of workers and employers, and are consistent with actual facts of contemporary economic society. If they don't fit, the possibility of understanding between the two groups is very remote. No debate is more bitter and futile than between two parties whose folklore does not jibe.

These things men think are right, their principles, get bound up into bundles and are given a label. Since ideologies are so important we may expect that socialism, or fascism, or realistic industrial democracy, or New Deal bureaucracy, or individualism, or system of private enterprise, would have an effect quite out of line with its rational basis in theory or evidence. They become slogans or symbols for which or against which men fight. These convictions when used as explanations are not just excuses. Men know their jobs, and can count on their experience to guide them if these explanations are sound. When someone challenges them it is not just a debate which they face, but an actual threat to their ability to function effectively.

Employers, union leaders, and workers think and react in terms of these convictions and ideologies as much as on the basis of reasonable conclusions from substantial evidence.

Now consider the final goal of management, integrity. We use this word in the sense of wholeness. It defines the desire on the part of an individual to be a whole person, that is well integrated within himself and with respect to the world of people and things and affairs outside himself. If within himself he has a sense of harmony and balance, if his actions and principles and standards are consistent

with each other, he possesses self-respect. Self-respect is one aspect of the goal of integrity. If he is geared in a significant way to the people and institutions in his world he possesses a sense of relationship. Relationship is another aspect of the goal of integrity.

As we look back over the specific content of the goals of management and the conditions of their realization, it is clear that the action which becomes necessary and the status which is available for management when a union enters his field of operations may be such as to threaten the progress he was making toward the experience of integrity.

If such action is inconsistent with principles and standards of action he had taken for granted, a challenge is offered to his self-respect. I am convinced from experience in mediating and arbitrating industrial disputes that "resistance on principle" is usually not as many labor leaders have contended "the last resort of a man who had no real case." Until men can revise their principles, those to which they adhere at present must be held to lest they lose their self-respect; and principles are stubbornly resistant to change. One may disagree with another's principles, but, if they are sincerely held, little progress in good dealing with that person will be made by labeling them as alibis. In collective bargaining it is to the advantage of neither negotiator to have the other compromise his principles and endanger his own self-respect. Fortunately there is a growing number among American management to whom unions and collective bargaining are not only not contrary to their principles but actually open up new opportunities for behavior consistent with those principles.

Attaining a sense of relationship is less bound up with adherence to principle. The test of success is more pragmatic. The question is, "Do the things I do, the

associations I have, the participation I experience, provide me with the awareness that I am geared in as a significant part of the group, and processes, and affairs about me?" The arrangements by which that has been done for members of management have been on the whole clear and satisfactory. Over a century and a half the structure of business and industrial management has developed into a system in which each manager found his place and could comprehend and experience his significance to the whole. The challenge of unionism is not basically a challenge to his relationship as such, although that does happen, particularly in the levels of management directly in contact with workers and union leaders. The more serious challenge is to the system itself which must, upon the entrance of the union as a participant in enterprise, be revised. The system of related functions must be altered, to provide a place for new functionaries. Many of the functions must now be shared. The old organizational charts no longer represent the reality of operations. The initial result, until they become more realistic, is, for management, uncertainty and insecurity. The relationship of the individual to the whole and the significance of his part is blurred. If this resulted in nothing more than discomfort and anxiety it would become the basis for reluctant acceptance of the union. The only managers who get satisfaction out of this situation are those who were uneasy about the significance of their relationship to the enterprise and of the enterprise to its many participants and customers and the general public before, and who are adventurous spirits who see in the union challenge an opportunity for building a more satisfactory system of relationships.

To sum up, when a new innovation like collective bargaining or unionism is faced, the reaction by workers and management is not to that thing as a thing

in itself and certainly not merely to its economic effects. Men will realize that if they join or recognize a union their lives will be affected in all sorts of ways. It may be harder or it may be easier for them to reach their standards of successful living, their goals.

They say to themselves: Will it be easier or harder to play these socially respected roles? Will my economic well-being be increased or hampered? Will my control over my own affairs be greater or less? Will this move be consistent with my explanations of how the world operates, will it reinforce or challenge my understanding, my wisdom of experience? Will it be consistent or not with self-respect, my experience of oneness with the world of people and things and forces about me? Men don't have to sit down and figure it all out. Most of them don't. They just react.

My point has been that the specific content of these goals is given to us by experience. People have different kinds of experiences. People who have lived all their lives in a working-class environment, or have made a job of organizing unions, fill these goals with a different content than do people who live in a management environment. When they sit across the bargaining table it is not a contest of individuals as much as it is a contest between two patterns of living, truly a battle of giants.

I've tried to describe the goals of workers and of management in words given to me by men themselves. I'm not praising or damning either. I am merely reporting to you what it seems to me any honest observer would have to report if he tried to keep close to the facts of life as it is actually lived by workers and managers. They live in different worlds. They consequently bring to the bargaining table the desire to play different roles, different conceptions of economic security, freedom,

wisdom, and integrity. The elements of life in their own group world are more real than the elements they share with all Americans or all human beings.

E. WIGHT BAKKE¹

Management Guideposts to Industrial Relations

What is management's idea of workable industrial relations? Briefly summarized, the points that stand out, almost without exception, in management's discussion of its problems are these:

Industrial relations are primarily and basically a matter of relations between management and employees, its own employees.

The first objective of industrial relations, like that of every function of management, is the economic welfare of the particular company.

Industrial relations arrangements must leave unimpaired management's prerogatives and freedom essential to the meeting of management's responsibilities.

All parties to industrial relations should be businesslike and responsible.

These are the guideposts by which management determines whether it is on the road of sound industrial relations. They believe that if the unions will stay on that road, collective bargaining can be made to work. . . .

Look at management guidepost number one: Industrial relations are relations between a particular management and its

own employees. Labor is "our men," not workers in general, not members of the union, not "organized labor." The union has a legitimate function on the basis of this principle only as the representative of, or spokesman for, "our men" and as a medium of communication with them. . . .

The second management guidepost points to the objective of industrial relations. The objective, like that of every function of management, is the profitable operation of the particular company. The management of industrial relations, no less than the management of financing, production, or marketing must add up to an efficient and profitable enterprise.

Any manager, whatever his philosophy or degree of benevolence, will "get tough" when the productiveness and profitability of his own firm starts going down. The job for which he is immediately rewarded or punished is promoting the welfare, not of the world, not of the national economy, not of the industry, but of his own company. This does not mean that he is unconcerned about these larger matters. It simply means, since industrial relations are one of the several problems of the enterprise for which he is responsible, that his dominant interest is in their impact upon his own enterprise. . . .

The principle written on the third management guidepost is carved deeply. It is this. Arrangements in the field of industrial relations must leave unimpaired management's prerogatives and freedoms essential to the meeting of management's responsibilities.

It is natural, and indeed necessary, for management to make this point clear. It is their claim of the right to survive. "Freedom." says management, "must be equal to responsibility." That is particularly understandable in view of the traditional freedom possessed by management to follow its own inclinations and wisdom with respect to obtaining, organizing, and di-

¹ E. Wight Bakke, *Mutual Survival, the Goal of Unions and Management*, Yale Labor and Management Center, New Haven, 1946, pp. 2-11.

recting a working force. As long as management practice and policy made it possible within the law to obtain and hold a working force with which it could produce and market a profitable product, little restriction was placed upon managerial discretion. Law, the decisions of customers, and pressure from fellow managers were the chief external restrictions. Collective bargaining, however, introduced a host of additional impediments to free action. Almost all functions of management, even those which are not concerned with the direction of workers, have become the subject of trade agreements or have been affected in important ways by such agreements.

A large part of management irritation with this development arises from specific restrictions on such items as discipline, hiring, transfers, work assignments, promotions and demotions, layoffs, the establishment and administration of work schedules and production quotas, organizational and technological innovations, the setting up and administration of wage systems, and like matters. Particularly irritating to many managements is the denial of their freedom to reward or punish individual workers in accordance with management's estimate of their individual merit and promise. Even in cases in which satisfactory working agreements have been made on such issues, management is disturbed by delays and restrictions upon quick decisions considered essential in the operations of the company. Beyond the specific restrictions involved, however, is the anxiety felt by many managers about the future; uncertainty as to where this process will end; a fear that it will eventually culminate in such stringent impairment of management's freedom that it will not be able to do its job satisfactorily. . . .

The final point in management's conviction about the essentials of industrial rela-

tions is that all parties should be businesslike and responsible. Much of what management says about union responsibility is another way of expressing their conviction that unions, in their dealings with management, should be businesslike. This, they insist, is a reasonable expectancy. But its realization is not so simple as it sounds. I think it is well to recognize that management's definition of "businesslike" and "responsibility" grows out of its own experience in doing business; that what is meant is "following the rules of business." This is no place for an extended dissertation on these rules but certain of the more important of them should be recalled. What are they?

First of all, parties to a business arrangement should be free to accept or reject any offer or proposal on the basis of their interpretation of the benefit of such action to them. There should be no compulsion upon them to do otherwise. There is no place, at least in the theory of free business competition, for duress exerted by one party upon another. In the second place, all affairs should be conducted upon the basis of reasonable and orderly procedures which are understood and accepted by both parties. In the third place, the bargains made through these processes should be reducible to definite contracts equally binding upon both parties. In the fourth place, those who make the contracts should have the ability to deliver, to hold any parties for whom they are agents to the arrangements made. In the fifth place, if they are not able to deliver, redress should be available through agreed-upon penalties voluntarily accepted and, if not, enforced by the courts.

Where did these rules come from? Their source is in business experience. They are the rules which embody the wisdom of that experience in dealings between businessmen. What I would like to suggest is that the businessman's defini-

tion of businesslike conduct and responsible conduct is that which he has found satisfactory in governing the relations between manufacturing concerns, banks, insurance companies, dealers, brokers, and the like. People who manage such institutions are motivated and guided by primarily business considerations, those of economic gain or loss. Their code of conduct is a response to that fact, although it may also be an excellent code of conduct from a moral and from a practical point of view.

Moreover, because business is so important a part of our common life, such rules are pretty generally applied to all human relations. In a business civilization the code of business dealing tends to be imposed on everyone. I am not suggesting that it should be otherwise, particularly when people are making business deals.

NEIL W. CHAMBERLAIN¹

Management in Theory and Practice

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The power conferred on management by virtue of its legal relationship with the stockholders enables it to exercise, as respects its legal relations with other parties, all the rights, privileges, powers, and immunities associated with ownership, except as these have been reserved from its field

of competence by statute, charter, or by law. It has, for example, the right to forbid the entrance of others on corporate property except in accordance with terms mutually agreed upon; the privilege of employing corporate capital along lines deemed most advantageous in its own judgment; the power to contract with others respecting the sale of corporate products or the hire of labor with corporate funds; immunity from interference with the enjoyment of corporate rights or claims except through the operation of due process of law. This complex of rights, privileges, powers, and immunities is probably what businessmen have most frequently in mind when they speak of the prerogatives of management, though such intent is not always clear. Again, however, it is important to observe that, before the law, management is entitled to this legal authority not by virtue of anything inhering in its management function, but solely by reason of its relationship with the owners of the corporation. Authority comes into its possession when management is chosen to that office, but legal sanction for that authority continues only so long as management fulfills its obligation to act solely on behalf of those who have designated it as management.

Unless we understand this legal framework, it will be impossible for us to understand an important part of management's case with respect to "union encroachment on managerial rights." Because of its single responsibility to the stockholders, a responsibility imposed by law, management resists granting to a party whose interests do not coincide with those of the owners a "right" to share in managerial determinations. In management's view, to accede to such a demand by the union would be to violate the obligations inherent in its own legal relationship with the owners. Other elements are involved in the managers' position, it is

¹ Neil W. Chamberlain, *Union Challenge to Management Control*, copyright 1948, by Harper & Brothers, New York, Chaps. 2 and 3.

true, but it is impossible to deny that this legal ground is a dominating consideration. . . .

The management argument might be briefly summarized as follows: If the stockholders are to have their interests faithfully served, the fullest possible discretion must be preserved to their elected representatives. Thus in fighting for managerial freedom, management is only fulfilling its trustee function of attempting to secure the advantage of the stockholders. Insofar as management has consented to any dilution of its authority not required by law, it has presumably done so only because it believes that course of action to be in the best interests of the owners—perhaps by improving the morale of the workers, stimulating greater cooperation by the union, or by forestalling or settling a strike.

It is important to note, however, that although management may construe its legal duties to require resistance to union penetration of its authority, the legal power to grant unions a voice in managerial determinations exists. As we have noted, managements of corporations are virtually unlimited in the permissible scope of decisions and actions. The principal limitation upon their legal capacity to act lies in the intent and the prudence of their judgment. If upon serious consideration of the issues managers are led to believe that it is in the interests of the stockholders to grant the union a more significant role in policy formulations, there is no reason to believe that any court of law would raise a barrier. The legal requirements of managerial responsibility do not therefore preclude managements from sharing their authority. It is quite true, however, that they cannot equally share their responsibility. The consequences of any business policy must be shouldered by the management alone. The statement that management can delegate but cannot share re-

sponsibility is to be considered, then, not as raising an insurmountable impediment to a union's sharing the managerial authority, but simply as a reminder of management's legal status as the sole agency which the law will hold accountable for the protection of the stockholders. . . .

THE FUNCTIONAL DEFINITION OF MANAGEMENT

The status and authority of management are derivative from sources other than the law, however; there are other aspects of management's position in the corporation which are equally important, and other ways of defining management. From preoccupation with the legal basis for management, let us now turn to an examination of its functional role. . . .

Within the corporation, as within any organization, we may note three distinct phases of doing business. We may call these direction, administration, and execution. In addition, there is perhaps a fourth, less distinct but nonetheless important, which we may designate as compliance. We shall examine all of these functions in turn. First in any organization must come the definition of objectives, the determination of what is to be done. This is the function which we have called direction. It is associated only with the highest and ultimate level of authority in the corporation. Thus, when the foreman tells his crew what is to be done, he is not exercising the directive function. The function which he is exercising we shall examine in a moment. Direction ordinarily is concerned only with deciding the broad goals of the business, but the scope of its objectives is not the determinant of the directive function. In the final analysis, that determinant is whether there is a higher authority within the management organization which may overrule the objective set forth. If there is such a higher authority, direction is not being exercised.

Typically in the large American corporation, the function of direction is found in the board of directors, or in some combination of the board of directors and the top officials, or in the top officials solely. The exact location is dependent upon whether in fact the board controls management, whether final authority is shared between them, or whether top-management controls the board. Wherever decisions may be made without fear of their being set aside, there lies direction.

We have said that direction ordinarily concerns itself only with broad goals. It may thus determine the line of products which shall be produced by the corporation, the methods of raising capital funds, the capital structure of the business, its relations with the public or with its employees, or other matters of similar importance. It may, however, concern itself with much smaller details, as for example whether a new office of vice president shall be created or whether paid holidays shall be granted to the working force. The essential character of direction is thus its ultimate authority, the finality of its decisions. Attempts to define direction by the broadness of its decisions, the importance of its goals, the basic nature of its determinations lead only to confusion. It is invariably possible to point to decisions made by officials lower in the corporate hierarchy which are broader than some reached by the directive officers, goals which are more important and determinations which may be considered more "basic" than those established by the directive authorities.

It is clear from what has been said above that direction is not concerned solely with the development of policy. Considerable confusion has developed around the very meaning of the word "policy," but we may consider it as a standard governing present and future actions and decisions, within a defined area of operations, a

meaning which finds some agreement among management specialists. The directive authorities will indeed enunciate policies in this sense, but they need not stop with such an exercise of their function. Any decision as to *what is to be done* which emanates from them must be considered as direction.

Moreover, *levels* of policy are determinable only by the degree of authority attached to them. Any efforts to define "basic," "general," or "department" policy except by reference to the source of authority are doomed to confusion. The content of the policy itself does not offer a basis for classification. The Stanford survey of top-management organization points up the difficulty in this respect. It suggests that basic policies are those which establish the long-range objectives and chart the destinies of the company, while general policies are those which are of short-range or everyday operating significance. It offers as an example of basic policy, found during the course of the survey, that "Compensation for all employees shall be at or above prevailing rates"; as an example of general policy, "Until further notice the company will meet all competitive prices." It is evident, however, that these two policy statements, judged on content, are of the same order, declaring that the company will meet both the wage rates and the prices of its competitors. One may be as long-range or as short-range as the other—only time will tell. They may logically be called basic or general only on the ground that one has emanated from a higher authority than the other.

If direction establishes what is to be done, administration determines how to do it. Several important characteristics of administration must be noted. First, it operates within a framework of discretion. Given the statement of what is to be done, administration is faced with a choice of

alternatives as to how the objectives may be accomplished. The degree of discretion is limited only by the preciseness of the directive.

Second, administration, like direction, may or may not be concerned with policy formulation. Administrative decisions may establish continuing standards of action by which directives may be met. They may likewise effectuate directives by examining each set of circumstances as a basis for a unique decision. The field of pricing provides a good example of these differing approaches. A directive that the price of each product must permit a profit may be carried out by establishing a price policy, providing continuing standards for determining a price, or it may be effectuated by considering all the facts of the case afresh whenever a price is fixed. Both methods are administrative.

Third, in the corporation the directive may only be implied. In the price example given above, the administrative authorities may have been given no explicit directive that the sales prices of their products must afford a profit, but at least in certain situations the directive may be fairly inferred from the nature of corporate activity. In business, direction is frequently much less explicit than in government. There is no constitutional limitation upon delegation of authority except in a few stated spheres, such as the choice of the chief executive or the declaration of dividends. In practice, corporate administrations are granted broad discretion, extending even to the authority to accomplish objectives which must be assumed if they are not stated.

Fourth, administration may always be overruled by direction. It does not constitute a source of final authority. If the directive authorities are dissatisfied with the administrative method of accomplishing their objectives, they may secure a change by making the directive more ex-

plicit. If administrative authorities take action on the basis of what they believe to be an implied directive, the directing officials may take exception to the inference by ordering abandonment of the practice found objectionable.

If direction determines what is to be done and administration establishes how it is to be done, execution is responsible for seeing that it is done. Because the area of decision-making captures the spotlight of public attention, involving as it does the accommodation of conflicting interests and the actual determinations which affect men's lives, it has overshadowed that aspect of managerial responsibility which merely sees that decisions, once made, are carried out. To quarrel with this attitude would be difficult, for unquestionably it is the decision which is of primary importance. At the same time, the significance of the executive function should not be lost sight of, for unless a decision is carried out it may as well not have been made, and unless it is carried out as was intended it is in fact not the same decision.

The essential feature of execution is therefore effective compliance with the statement of objective and the method of attaining it—in the corporation the executive possesses no power of veto. This calls for widely varying degrees of responsibility and capability. Certain executive performances may be entrusted only to the chief executive, others to a foreman. It is important to observe, however, that execution is distinguished from direction and administration by an almost complete absence of discretion. The area of free choice is narrowly restricted, since the objective and the method have previously been determined. It is not for that reason an unimportant responsibility, however. A high order of intelligence may be required to execute a mission by the method prescribed.

Lastly, there is that fourth aspect of

business operation, less well defined than those which we have been discussing, which may be called compliance. It is essential that some means be provided for determining whether executive management has actually complied with administrative determinations, and whether administrative management has carried out directives. Some method of checking on performance is required, even though this requirement has frequently been neglected in the practice of many business corporations. Where undertaken, it has generally been considered a matter for investigation and action by those primarily interested; that is to say, those who make the decisions and policies are responsible for reviewing the actions and decisions made in accordance with them. A notable exception to this practice is the employment of an auditing staff, responsible for a check upon performance in matters relating to monetary responsibility, and occasionally upon compliance in the fields of price quotations, credit and discount actions, and purchases as well.

The operation of a business, then, calls for the three functions of direction, administration, and execution. Compliance may lay claim to constituting a fourth. These functions are not always easily distinguishable. One reason is that typically in the American corporation they have been performed, to an important degree, by the same persons. . . .

Viewing the corporation as a whole, there is only one source of directive authority; though that authority may be shared, as for example between directors and top officials, or may be divided jurisdictionally, as among committees of the board of directors. Administration and execution, however, are scattered throughout the corporation, in its various levels. They are found in the general management level, in the divisional, the departmental, the general foreman, and the foreman

levels. The relationships of administration in these various stages may be illustrated by tracing the development of a policy through the first few brackets of management, though this is not intended as an implication that only policy decisions follow this course. (As we have seen, any decision determining how an objective is to be achieved may flow through the administrative network.) As an example, directive management may enunciate the rule that each product shall bear its own cost of production. General administrative management, on the basis of this standard, may further specify that whenever the annual volume of a product falls below an economic manufacturing lot size, the product shall be considered for elimination. Divisional administrative management may then carry the matter another stage by establishing that when orders are accepted in lots of less than one hundred, no promise shall be made as to date of delivery, delivery being dependent on accumulation of other orders in sufficient quantities to permit profitable production of a single lot. In this example divisional management exercised discretion in determining *how* to effectuate the policy handed down from general management. It had, however, no discretion as to *whether* that policy should be effectuated. General management, in turn, established in its discretion a policy designed to assist in carrying out the directive handed to it. It might have adopted a different policy but it could not avoid the compulsion of effectuating the given directive.

This example suggests that, although there is only one source of direction in the corporation viewed as a whole, viewed from any one level of management the decisions handed down from the level above, regardless of its position in the managerial hierarchy, must be considered as in the nature of a directive. For such decisions establish what is to be done.

Thus in the case above, the administrative decision of general management when passed to divisional management assumed the form and force of a directive from the former to the latter. So far as divisional management is concerned, the policy handed to it was a final statement the authority of which was not subject to question. There remained for it only the administrative question of how it was to be accomplished and the executive problem of seeing that it was accomplished. Once the administrative question was settled to its satisfaction, it could relieve itself of the problem of execution by passing the matter on to the next lower level, where the process may be repeated, until at some level final action is taken. This is not a process of buck-passing. It is a process of getting things done by narrowing a problem to dimensions where its effectuation can be safely entrusted to those in the next lower level of management. To narrow a problem beyond this stage is what businessmen mean when they say that someone concerns himself too much with administrative details.

Considering the corporation as a whole, then, there is only one *source* of direction, vested in the top level of management. Considering each individual level of management in its organizational context, however, direction lies in the level immediately above it, to which it is responsible. This method of operation has been called by Person the "frame-within-frame" technique. If we consider the various levels of the organization as "frames," *within any given frame* the functions of the officials are administrative and executive relative to the frame above them, but directive relative to the frame below them. It must be clearly remembered, however, that this is true only when adopting the viewpoint of officials within an organizational frame. It cannot be too often repeated that in the corporation as a whole there

is logically only one source of final or directive authority, even though that authority is shared among a number of people or divided among them on jurisdictional lines. . . .

IMPACT OF THE UNION

We have to this point been concerned with what might be termed the "pure" theory and practice of management in the large corporation. Considerations attending the entrance of a union into corporate operations have been intentionally excluded. Questions which the advent of the union raises have been left unanswered. It now becomes necessary to examine the impact which the union makes upon the theory and practice of direction, administration, execution, compliance, the frame-within-frame structure, and committee action.

First, we may note that if unions share in the policy or decision making process at the highest managerial level, they are sharing in the directive function. This result is commonly achieved in the collective-bargaining process, where union and top company officials jointly agree upon policies which are to govern the business in certain areas of operation. However, if the bargaining conference occurs and the agreement is reached in a business frame below the directive frame, the choice of the policies in question is determined in some measure by higher policy or at least is subject to review by higher authority. Here the union is sharing the administrative, not the directive, function. Assume, for example, that directive policy provides that all layoffs and rehiring shall be based on seniority. Exercising its discretion as to how this directive shall be carried out, general administrative management may declare that the seniority principle to be followed shall be determined by agreement between company and union officials in the respective plants

of the company. *Relative to the plant managements*, this administrative decision constitutes a directive. If by joint agreement with the union at a particular plant it is determined that plant-wide seniority shall govern, this again is an administrative order, which responsible officials must execute whenever workers are laid off or rehired.

If the unions seek to participate in the decision-making function in the corporation, they must recognize that except for the top frame this is a function of an administrative management which is powerless to act outside of the standard established by the higher policy which controls its actions and decisions. In the above example, if union members at a given plant of the company should object because they were laid off when members with less seniority were retained at another plant, they must recognize that their quarrel is not with *plant administrative policy* (since that policy is controlled by general administrative policy with respect to the condition that seniority should operate only within the confines of a plant). Nor is their quarrel with *directive policy*, since that policy simply establishes the seniority principle but leaves its working out to management down the line. The union might, however, seek a reformulation of general administrative policy, since management at that level is left free to determine the type of seniority to be adopted. It is controlled in the exercise of its discretion only by the directive that seniority shall govern layoffs and rehiring. It is therefore possible for the general administrative management to determine that company-wide rather than plant seniority shall prevail and it is within the general management frame that union pressure should be brought if a change is desired. . . .

What considerations are raised when we move from the fields of directive and

administrative management to that of executive management? Where does the union fit into the managerial function of seeing that decisions are translated into completed actions?

Direction and administration theoretically can and in practice often are shared functions, since they involve the exercise of discretion. Consultation and compromise are possible in the directive determination of what is to be done and the administrative decision of how to do it. This occurs in practice both within the management family itself and in its collective-bargaining relationship with the union. In the executive function of accomplishing what has thus been decided, however, there is small opportunity for the play of discretion. Discussion and compromise are inappropriate at this stage, as the only basis for disagreement lies in whether the executive action in fact complies with the directive and administrative decisions. Any other disagreement constitutes a dispute not with executive management but with direction or administration. . . .

The functional requirements of business organization thus demonstrate that executive management—divorced from any administrative aspects—cannot be a shared function. With discretion at a minimum, with compliance all that is needed, joint execution would be out of place. *Either* the union steward *or* the foreman, for example, may have full authority in executing decisions, or they may divide the area within which each exercises authority, so long as each conforms to administrative orders. In the event of such division of the job, both will be executive managers within their respective areas, and for this purpose the steward will cease to be a union official becoming instead a part of management, officially delegated responsibility for this function. While we have been speaking here of executive management in the shop, these statements are

equally applicable in all frames of the business. . . .

So much for the union's role in direction, administration, and execution, and the necessities of fitting its exercise of those functions into the frame-within-frame structure of the organization. There remains the matter of compliance. We have previously noted that in practice those who formulate policy and make decisions are responsible for reviewing the actions taken in accordance with them. The union is therefore interested in securing compliance with those decisions and policies which it helped to formulate through joint conference and joint agreement. For this purpose the grievance procedure is employed, and for this purpose it is intended not to permit the union to exercise a control over administrative decisions or to share executive authority but to check on managerial compliance with policies and decisions which have already been jointly reached. . . .

We may now summarize briefly some of the more important of our findings:

The union becomes part of directive management when it signs a collective-bargaining agreement determining what is to be done within certain areas of corporate activity. It becomes part of administrative management when it concludes subsidiary agreements determining how these decisions are to be accomplished. It becomes executive management when it is delegated (and accepts) the responsibility and authority for translating such decisions into action.

The union has one other function which may, perhaps, be considered managerial—that of seeking operating compliance with the policies of the agreement. Company officials likewise are interested in adherence to the agreement. Grievance procedures have therefore been established, frequently culminating in the judicial office of impartial chairman, to test compliance.

This analysis has nothing to say as to what the area of agreement should be. It seeks only to clarify the managerial functions which the union exercises within the corporation and the method of their exercise. . . .

AREAS OF MANAGEMENT

As a further aid in understanding the operations of management in the large corporation, and of analyzing the problems introduced by the participation of unions in the functions of management, we may delineate the important areas of business enterprise within a single company. In addition to defining management by its legal status and functional role, we are in effect thus defining management by the nature of the operational problems which it faces. . . .

We shall make use of six categories: finance, personnel, procurement, production, distribution, and coordinate or cabinet activities. Under these broad categories the principal areas of management may be grouped as follows:

I. Finance—control over money

1. Raising of necessary capital; the capital structure
2. Dividends
3. Reserves
4. Amortization and depreciation
5. Accounting procedures
6. Insurance
7. Budgeting

II. Personnel—control over men

1. Type of personnel
2. Size of force
3. Hiring, dismissal, allocation, and discipline of work force
4. Wages and hours
5. Employment policies (vacations, pensions, etc.)
6. Promotions
7. Health, safety, and social conditions

III. Procurement—control over materials

1. Purchase of raw materials
2. Organization of suppliers and sub-contractors

IV. Production *Design - new technology*

1. Design and engineering
2. Types of machinery and equipment
3. Job content
4. Methods of operation
5. Rates of operation
6. Standards of quality
7. Maintenance

V. Distribution *Quantity*

1. Quantities of production
2. Sales policies
3. Distributing organization
4. Marketing
5. Advertising
6. Inventories
7. Credit policies

VI. Coordination or cabinet activities

1. Line of products
2. Company organization
3. Selection of key personnel
4. Research and development
5. Extension or contraction of capacity
6. Location of plants
7. Prices of products
8. Collective bargaining
9. Trade and industry relations
10. Public relations

This last category of coordinate or cabinet activities consists of those areas so intimately affecting many or all of the other five groupings that they can be successfully managed only by general integrated action. They are activities which could not adequately be administered by any one of the other five functional organizations even on standards set forth in basic policies.

MANAGEMENT AS A PARTICULAR GROUP OF PEOPLE

We have already observed that management may be defined and understood on

the basis of its legal relationships, of its organizational function, and of the types of problems which it is called upon to face. The question may now be raised whether there follows from these three definitions of management a fourth—an identification of management as a particular group or class of people. In essence, what we are now seeking to discover is whether there is such consistency between the variant definitions that we may say that management by one description is the same as management by another.

Earlier in our investigation we examined the legal basis for managerial authority. We discovered that management in the corporation must, under the law, be considered as the representative of the owners of the corporation, to whom it owes the duty of a trustee or agent. This trustee and agency relationship carries with it the legal rights, privileges, powers, and immunities of property ownership, to be exercised on behalf of the stockholders as owners. In this sense, the managers of a corporation are a group of persons whose basis for authority is a defined legal relationship to the owners. No person or group of persons not possessing this legal foundation for authority has any claim to managerial status. This obviously excludes the unions.

From this viewpoint management representatives, in seeking to define the areas of their sole competence, are simply attempting to get the unions to agree to the legal requirements of the situation. If the authority of management derives only from a legal relationship with the owners and if its validity is dependent upon the performance of a legal duty to exercise that authority solely on behalf of the owners, how can management consent to any watering down of its competence? To do so would be to violate its trust. To violate its trust would be to destroy the basis of its authority.

Management thus conceives that its loyalty must run to the stockholders, as the corporation. Any recognized loyalties to its employes, customers, or the public stem from the conviction that justice and fair play to these groups will inure to the benefit of the owners. They must, therefore, be modified loyalties, valid only insofar as they do not establish loyalties equal or paramount to its fealty to the owners. A broader and wiser recognition of how consideration for participating groups other than the stockholders will result to the advantage of the stockholders, at least in the long run, has been the chief characteristic of what has been called "enlightened management." But no degree of enlightenment will permit managers conscious of their legal obligations to sacrifice to the interests of other groups their loyalty to the corporate owners.

This legal consideration provides the ground for defining management as a class of people designated under the law to conduct the affairs of the corporation. It is not a social class but a legal class.

As a matter of practice, this position is becoming more and more untenable. Broad areas of management are now subject to joint policy determination by the appointed managers and union officials. It is necessary to examine only casually a collective-bargaining agreement to perceive the important limitations which have been placed upon management's freedom to conduct the business on behalf of the owners. In these areas the union shares the management function. Collective bargaining, as we have seen, is a method of directive and administrative management. Yet the union officials thus participating in the management of the corporation recognize no legal obligation to the owners. They owe no primary loyalty to the stockholders. On the contrary, their union office imposes upon them a first loyalty to a different group of people, the employes of

the corporation. If the unions are thus exercising a managerial role, can we define management as a class of people whose claim to authority rests upon its legal relationship with the owners?

Strict realism requires the admission that there is a group of people whose claim to managerial authority in the corporation rests upon a legal representation of the owners but that this group does not constitute the whole of the business management class. The definition is not an all-inclusive one. Moreover, as we shall see later, the claim of what we may call "legal management" to an authority which has its foundation in the law is accompanied by no adequate legal means of defending that authority from dilution. The definition of management merely as a class whose position is established by law appears only partially accurate for our day and age. . . .

[Moreover] as we have seen, collective bargaining is in fact a method of management. It might be contended, it is true, that it is an inferior type of management. Compromises will necessarily be called for. Judgment will be affected by displays of bargaining power. Discretion may be vested in those who are not familiar with the facts on which decisions should be based, or who are incapable of using information to arrive at inescapable conclusions, or whose very ability has been tested only by their popularity with a mass following. To dignify with the name of management the making of business decisions under such circumstances may be considered an abuse of language.

It seems probable that some consideration such as this must prompt the view that managers must be those constituted with undivided freedom and authority to conduct operations. At root it is an efficiency or engineering concept of management, which excludes more than one set of hands in the guidance of the business

machine. Introduce the union and you have, at best, a back-seat driver; at worst, sand in the gears or even a complete breakdown.

This may be one concept of management, but it is by no means the only possible one. Efficiency in the engineering sense is a necessary element of business, but it is not the only element, and many people, including a number of managers, have raised the question as to whether it should even be considered the dominant one. . . .

The conclusion seems inescapable that management cannot now be defined as a particular class or group on the basis either of legal status or efficiency concepts. Management in fact is composed of all those who participate directly in the formulation of decisions as to what is to be done and how to do it, and who are responsible for the execution of those decisions. The personnel who compose management can best be defined on the basis of their function.

It is true that even in the not-so-distant past the divergence was imperceptible between those who exercised the function of management and those who held the legal authority for that exercise. Within recent years that identification has been losing its validity, however. Those who have been delegated managerial authority under corporate laws no longer represent the whole of the management group. Increasingly, as the legal managers will themselves testify, corporate authority has been passing to the hands of union officials, who in collective-bargaining conferences discuss many of the same problem areas with legal management; together they seek agreement on business actions to be taken.

We discovered earlier that management was a function which exists independently of a particular ownership and control setting, though the latter may determine its

objectives and methods. We have reverted to that principle in answering our question of whether management consists of a particular group of people. The rights of ownership still play the predominant part in our corporations today, at least nominally. The authority of those whom we are accustomed to designate as managers flows from a responsibility to ownership. But at their side now sit men wielding a remarkably similar though not an equal authority, derived from other sources than the owners and with responsibility to others than the owners. These leaders of the unions are exercising, too, a managerial function, though independently of the ownership setting. . . .

MANAGEMENT AS A SOCIAL GROUP

Although it is apparent that that group of citizens we have customarily labeled management is not the only group of individuals concerned with the functions by which and problem areas within which direction, administration, and execution of industrial operations are carried on, nevertheless they have much in common. In a sense they form a *social* group whose "structure of living" is different from that of other participants in the operations of enterprises. Their goals, routine behavior, personal and social resources, their codes, philosophy, symbols, and ritual bear the stamp of the world of management. The functions they perform are an important part of their structure of living even though some of these functions are shared in varying degrees with persons outside of "management" as usually defined. But the structure of living has other elements which make of them a psychological group, conscious of their unity of interest in distinction from other groups. Their awareness of being alike and the desire to protect the system of business operations and structure in which the likeness is experienced are important factors in

determining the reactions of management to the developing participation of unions in those operations. . . .

To this structure of living of the managers the unions, however, pose a threat. They seem to endanger the organizational framework and the system of authority throughout the corporation. Their philosophy has idealistic values foreign to the predominantly realistic outlook of businessmen. They challenge the accepted codes and rules. They substitute for the legal responsibilities of the managers political responsibilities of their own. Their program is revolutionary insofar as it seeks not merely a shifting of authority within the existing system but modification of the system itself. How common it is to hear the managerial condemnation that the methods and objectives of the unions "won't work" in a competitive business society.

E. WIGHT BAKKE

Frontiers of Human Relations

The dilemma which must be resolved if our democratic institutions are to survive in a world which challenges by philosophy or deed our democratic faith is "Can individuals express their individualism in a way which strengthens the group upon whose strength the achievement and satisfaction of every individual depends?"

Why do we find ourselves on this frontier of human relations? The answer is clear to all thoughtful persons. It has been clear for years to prophetic minds who sensed the implications of Western economic methods. Those methods involve an increasing and ever more precise division of labor. But the advantages of division

of labor are available only when the efforts of those among whom tasks are divided are co-ordinated by effective organization and the will to co-operate. And the will of individuals to co-operate is not adequate unless the organizational techniques are adequate. This problem is not one that arises out of the selfish tendencies of human nature or the lack of a desire to work together, although it throws into bold relief the hazards of self-centered motives and puts a terrific strain on our co-operative tendencies. It is not one that is pressed to the forefront because men are seeking a Utopian society in which co-operation ought to replace conflict because it is better than conflict, although such doctrines have played a large part in stimulating more adequate forms of collaboration among individuals. No, basically the problem arises because every step in the subdivision of men's efforts has to be accompanied by an even greater step in the organization of their relations with each other. It is just one of the hard facts of life. And whether men are selfish or unselfish, good or bad, strong or weak, cynics or idealists, they have to face that fact and act accordingly or go under. Doing so is one of the survival requirements of our form of economic activity.

But you will say men have faced it and have labored to build organizations and codes of human relationships which were effective. That is true. Indeed, this nation's economy is as well known for its feats of human organization as it is for breaking down the individual job into its specific parts.

The circumstances, however, that made it possible to achieve a large measure of success in the past are slowly but surely taking their place in history. They are circumstances which everyone with a knowledge of the facts of industrial life will recognize. They will also realize how

rapidly those conditions are disappearing. Let me name only a few.

First of all, the size of the enterprise or union organized was formerly such that the organizers could co-ordinate much of the efforts of those involved by personal contact. This made heavy demands on individual force of character, personal ability, wisdom, and intuition. The need for this personal technique of weaving individual activities into a purposeful and smoothly functioning common effort in enterprise and unions has not disappeared. It is just as important today as it ever was. Perhaps more so. But as the size of the organization increases the organizer must count more and more on formal procedures and codes and impersonal relationships to weld the members of the team together. His personal capacities necessarily must make their impact felt through the medium of other men and formalized routines, the web of organization. And this web must have a certain stability lest the others whose functions are essential to the organization become insecure and confused. Otherwise they do not know what to count on. The discretion and personal expression of the organizer is not free. The full force of his personal character and judgment cannot be brought directly to bear upon a problem. He is fettered not because someone has usurped his authority but because his own creation, the organization, makes the fetters inevitable.

To the extent that the division of labor covers larger and larger numbers, the relative positions of the strong individual and the forms and procedures of organization are altered. It is true that the latter have no existence or meaning aside from their function as a framework for the decisions and efforts of human individuals. But their impact is so great in modern business and industry and unions that we can no longer count on the innate capacities and

experienced intuitions of individual leaders to devise human relationships effective in furthering the purposes of the organization and efficient in satisfying the needs of the many participants.

Again let me emphasize that this is no criticism of the good faith, integrity, or personal skills of these leaders. I cannot imagine they would be less competent than their fathers or grandfathers to do the same task. The simple fact is that the task has changed. Those who preceded our present generation of economic leaders helped to produce that change by expanding the boundaries of organization beyond the limits within which personal contact could make personal competency the sole instrument of effective and efficient organization.

Closely related to the last is another circumstance. The early leaders of industrial and union life in America had a more liberal education in the school of experience than their successors. Their schooling covered a wider range of the subjects over which one must have mastery if he is to see a problem steadily and see it whole. They grew up with the enterprise or the movement. They learned its many angles and procedures by practical wrestling with details for which they were responsible. Theirs was a generalized training much more effective, I am inclined to think, than the Cook's Tour orientation courses now frequently given to young men being groomed for executive positions so that they can know the business from the ground up.

There are still managers and union officers who come up the hard way. But though the way may be just as hard, it is a narrower and straighter road. The demands of successful functioning in a specialized task are arduous. It is not the fault of men who have had to master a vocational course in a subdivided task that they do not acquire a generalized

education from their school of experience. Nor is it their fault that the narrowed education in a specific task enters into the very sinew and tissue of their mental and spiritual capacities. Nor is it cause for blame that they must look at problems to the end of their days through the spectacles ground for engineers, or salesmen, or advertising men, or accountants. Yet this fact furnishes us with one of our major problems, for the task of organizing human beings performing a wide variety of specialized jobs is one which calls for a general education. There are near geniuses in American industrial life who have somehow possessed or acquired such general capacities; but it is too much to expect that the run-of-the-mill production of executives can achieve such a result. The unions will increasingly face this problem as the tasks of their officers and leaders become more specialized and their organizational structure becomes more complex and formalized.

Let me add just one more circumstance that makes the problems of human relations more difficult now than it used to be. Those responsible for organizing and working through those relations are not so familiar with the backgrounds and motivations of the people they have to deal with as formerly. Into the relationships have come people who are not their kind. They do not understand them because they have not shared the same experiences. They have not grown up in the same traditions. Their actions and attitudes have not been shaped by the same forces.

Consider the managers. How many of them have grown up as boys and young men in the same communities, gone to the same schools, the same churches, played on the same teams as the men who are their employees? How many of them in adult life have been concerned with the welfare of the same community and

identified with its problems and progress? You and I know many enterprises where employers and their workers have such common background, but their numbers are decreasing. Such people tend to acquire intuitively a degree of understanding of "what makes each other tick." At least the job of figuring it out is one that requires a high degree of normal common sense. For common sense is the mirror of common experience. An amount of mutual confidence and respect as well as mutual understanding exists, which, while it is not perfect, at least promotes effective teamwork. Each knows the other more nearly as a whole man and not just as an employee or a boss. If he wants to predict how the other will react, there is some sense to his asking, "What would I do in the same situation?"

Where that common experience, a common setting for and way of living has decreased, that question is no longer meaningful as a guide to analysis and action. When men ask it they do not get the correct answers. For men's standards and tendencies of action and reaction are rooted in their particular life experiences. Two men from two different particular life experiences cannot intuitively understand each other's objectives, motives, and habits of action and thought. Lacking such knowledge, they find it increasingly difficult to chart their relations with each other.

The other circumstances we have discussed have helped to create this one. The division of labor, the growing size and complexity of enterprise, the training of specialists whom it is advantageous to move from one organization to another have resulted in a social distance between managers and workers which prevents their knowing each other save as boss and employee. The problem is amplified by the fact that, outside of first line supervision, management and workers do not even

know each other from face to face contacts as people doing a common job. In other words, management is dealing with workers and workers with management, each of whom is a product of a world the other does not know.

If that is true of management and workers it is even more true of managers and labor leaders. Few in management can more than guess what really lies behind the action and attitudes of labor leaders. They are a new kind of person whose reactions they never had to consider before in running their business. Their tendencies are as mysterious to managers who have not been through the same process of living as if they had suddenly appeared in their offices from a foreign culture. Sometimes they have. And all of the bold affirmations that "I do understand these guys, they are just out to increase their own power and feather their own nests," do not dispel that mystery. Such generalizations are not even satisfactory to the men who make them if they really are looking for the sources of the labor leaders' conduct.

Or consider the government bureaucrats or the brain-trust professors with whom management now finds it necessary to deal increasingly in carrying on the business. They too behave in peculiar and unpredictable fashion. They also are the products of different worlds.

How many managers must have had a secret desire to return to the simple days of human relations when their day-by-day contacts were with people who understood each other and spoke the same language. A man knew what to count on in those days. Men were men, which really means they were human beings who shared essentially the same traditions and codes and behavior tendencies as oneself. One could estimate the probable nature of their responses by putting himself in their shoes, calling upon his general knowledge of

human nature, and correcting for the comparatively minor variations in individual peculiarities. Arranging for workable human relations with such fellows was not beyond the skill and adaptability of one who had ample supplies of good sense and good judgment.

The labor leaders are in the same fix. What training they had in their early days was in organizing workers whose way of living they had shared. They dealt with managers many of whom had been workers themselves, often in the same locality. The other union officers had been through the same mill. A few had specialized experiences in dealing with government officials.

They now find themselves organizing and trying to service workers in industries and parts of the country with whose environments they have little personal knowledge. They are dealing with management officials who are the products of a specialized experience in a management organization, not the up-from-the-bench variety. With the complexities of the environment of managers of huge enterprises they have little personal acquaintance. They cannot estimate accurately its effects in practically compelling certain actions and attitudes on the part of those with whom they deal. Even into their own union organizations are coming staff members who have not worked their way up in the movement the hard way. They too are beginning to come into contact with professors whose motivations for and standards of conduct have been hammered out on different anvils. A startling proportion of their time must be devoted to working out relations with government officials and winning the approval of parts of the electorate to whom they had never found it natural to appeal. And some of them must work with foreign leaders whose ways are just as difficult to understand as those among their own-countrymen who have lately been

introduced to them as living parts of their human relations problem.

Both managers and labor leaders are faced with the same problem. They are equipped for personal human relations with people of their own kind among whom there is a common basis of understanding rooted in a somewhat similar life experience. They have learned a passably successful technique of dealing with such people based on the assumption that other individuals are pretty much the same as themselves. But they are suddenly aware that the assumption does not hold up. They are dealing with new classes of people whom they cannot understand in terms of that assumption. Nevertheless they must establish working human relations with them.

Since, however, they are not familiar with any alternative assumption with such a record of successful application and traditional sanctity, they still fall back on it. Accordingly they continue to estimate each other in personal terms. Since the other does not act as he would act, a manager or labor leader tends to characterize the other as abnormal. He is a crackpot, an egotist, a demagogue, a racketeer, a radical, a reactionary, a Communist, or a Fascist. Or he is just plain dumb. Yet they know in their more thoughtful moments, or at least they hope, that such characterizations are not accurate or generally applicable. Because, however difficult the task, they know they must build solid human relations with these people if they are to survive. These people are for management players on the enterprise team. For the labor leaders they are participants in the affairs of the Movement.

I have tried to make clear that we stand on this frontier of human relations not because individuals have become personally less intelligent or sensitive or co-operative than formerly. Our faith in the

powers that reside in the human atom need not be thrown overboard. The skill and wisdom and inventiveness in millions of individuals is and will remain our chief source of energy, decision, and development. I am confident from many contacts with leaders in business, industry, and the labor movement that on this sector of the frontier there are enough competent individuals to furnish leadership for its conquest. It is not that men are personally incapable but that they lack adequate tools and blue prints. It is no disgrace to recognize that the intuitions of experience with our earlier problem are not sufficient guides to procedure on our present problem. I once knew a man who was a past master at driving horses. When the method of transportation changed to automobiles he used to try unsuccessfully to stop his Ford by pulling back on the steering wheel. When it stalled the only thing that kept him from using a whip on the hood was the fact that he did not have the whip, but he did occasionally use violent language on the engine. The facts and principles of relating human beings together under the circumstances we have been discussing are not clearly understood. Moreover, those circumstances make it difficult if not impossible for them to acquire such facts and principles from their normal routine of living.

Little will be accomplished by merely exhorting them to make human relations their main job. Most of them know already that that is what they must do. Exhortation to action to men who lack a fundamental understanding of the facts and principles necessary to successful action is not enough. It would be as effective as exhorting men to build a stronger bridge if they lacked the knowledge of facts and theory, the tools and blueprints essential for such a task.

9. Management Response to Unions

THE SELECTIONS in the preceding section were designed to suggest some of the considerations and compulsions helping to shape management's reaction to the necessity of or opportunity for dealing with unions. The following selections illustrate some of those reactions. The points of view cover a wide range both in time and in attitude.

The first part of the chapter gives examples of the reactions of employers who were extremely critical of unions and who for the most part considered them a threat to the welfare of employers, workers, and the public. The basic premises of this opposition are very much the same in the twentieth as in the early nineteenth century. The latter portion of the chapter is devoted to examples of reactions which are premised on the recognition of the probably permanent character of unionism and the necessity to develop working relations with it.

The reactions are presented in their variety without judgment by the editors on their soundness or wisdom. Such judgment is not relevant to our purpose of acquainting the reader with facts which have helped to shape the development of unions and collective bargaining. The arrangements for collective bargaining must reconcile a great variety of points of view and reactions. These facts of employer reaction are as real as a pay roll or a powerline. The problem for those who must conduct the processes of collective bargaining is not to label such facts good or bad, right or wrong. It is to try to understand clearly what they are and from what circumstances they spring. Whatever outsiders may conclude, the employer must shape his course according to his own understanding. Whether that course requires arrangements for battle or for business dealings will be determined by his interpretation of the facts. The variety of facts here presented should warn that no single set of arrangements is likely to be perfectly adapted to the necessities imposed by these facts.

PROTECTING EMPLOYERS, WORKERS, AND PUBLIC

JOSEPH HOPKINSON¹

Philadelphia Cordwainers—1806

Joseph Hopkinson was an American attorney of the early nineteenth century.

Without recurring particularly to the evidence, I venture to state, without any apprehension of contradiction, it has been proved, a certain number of persons, among whom are the present defendants, associated for several distinct and criminal purposes. This is the gist of the prosecution, it is not for what any one man of them has done, that the state prosecutes: the offence is in the combination.

Why a combination in such case is criminal, will not be difficult to explain: we live under a government composed of a constitution and laws . . . and every man is obliged to obey the constitution, and the laws made under it. When I say he is bound to obey these, I mean to state the whole extent of his obedience. Do you feel yourselves bound to obey any other laws, enacted by any other legislature, than that of your own choice? Shall these, or any other body of men, associate for the purpose of making new laws, laws not made under the constitutional authority,

¹ Joseph Hopkinson, Argument for the Prosecution, Philadelphia Cordwainers' Case, 1806, from *The Trial of the Boot and Shoemakers of Philadelphia on an Indictment for a Combination and Conspiracy to Raise Their Wages*, taken in shorthand by Thomas Lloyd. Printed by B. Graves, Philadelphia, 1806.

and compel their fellow citizens to obey them, under the penalty of their existence? This prosecution contravenes no man's right; it is to prevent an infringement of right; it is in favour of the equal liberty of all men, this is the policy of our laws; but if private associations and clubs, can make constitutions and laws for us . . . if they can associate and make bye-laws paramount, or inconsistent with the state laws; What, I ask, becomes of the liberty of the people, about which so much is prated; about which the opening counsel made such a flourish!

There is evidence before you that shews, this secret association, this private club, composed of men who have been only a little time in your country, (not that they are the worse for that,) but they ought to submit to the laws of the country, and not attempt to alter them according to their own whim or caprice.

It is in proof, that they combined together; for what? to say what each man shall have for his labour: no . . . one man may ask more for his labour than any other does. Dubois may do it, or any of the defendants may do it; they may get four dollars for making a pair of boots, if they can get any person to give it, who has more money than wit . . . (as Mr. Young says is the case with some of his customers.) It is not intended to take away the right of any man to put his own price upon his own labour; they may ask what they please, individually. But when they associate, combine and conspire, to prevent others from taking what they deem a sufficient compensation for their

labour . . . and where they undertake to regulate the trade of the city, they undertake to regulate what interferes with your rights and mine. I now am to speak to the policy of permitting such associations. This is a large, encreasing, manufacturing city. Those best acquainted with our situation, believe that manufactures will, bye and by, become one of its chief means of support. A vast quantity of manufactured articles are already exported to the West Indies, and the southern states; we rival the supplies from England in many things, and great sums are annually received in returns. It is then proper to support this manufacture. Will you permit men to destroy it, who have no permanent stake in the city; men who can pack up their all in a knapsack, or carry them in their pockets to New-York or Baltimore? These manufactures are not confined to boots and shoes . . . though that is very important, as you learn from Mr. Bedford, that he could export 4000 dollars worth, annually. Other articles, to a great amount, are manufactured here, and exported; such as coaches and other pleasurable carriages; windsor chairs, and particular manufactures of iron. I cannot make a calculation of the importance of manufactures to this city.

If the court and jury shall decide, that journeymen may associate together, and determine that none shall work under certain prices; then, when orders arrive for considerable quantities of any article, the association may determine to raise the wages, and reduce the contractors to diminish their profit; to sustain a loss, or to abandon the execution of the orders, as was done in Bedford's case, who told you he could have afforded to execute the orders he obtained at the southward, had wages remained the same as when he left Philadelphia. When they found he had a contract, they took advantage of his necessity. What was done by the journey-

men shoemakers, may be done by those of every other trade, or manufacturer in the city. . . . A few more things of this sort, and you will break up the manufactories; the masters will be afraid to make a contract, therefore he must relinquish the export trade, and depend altogether upon the profits of the work of Philadelphia, and confine his supplies altogether to the city. The last turn-out had liked to have produced that effect: Mr. Ryan told you he had intended to confine himself to bespoke work.

It must be plain to you, that the master employers have no particular interest in the thing . . . if they pay higher wages, you must pay higher for the articles. They, in truth, are protecting the community. Nor is it merely the advance of wages that encreases the price to the consumer, the master must have some compensation for the advance of his cash, and the credit he frequently gives. They have no interest to serve in the prosecution; they have no vindictive passions to gratify . . . they merely stand as the guardians of the community from imposition and rapacity.

A great rise was attempted, in 1805, on prices mutually agreed upon in 1804, without reason, in a mild winter, when wood and every necessary of life was unusually cheap. . . . I can see no pretext for the attempt, but the encreasing avarice of these men. They took the advantage of their masters, I mean their employers, in the fall of 1805, when the business was becoming brisk; when they knew the employers must have work done for their customers; they ask from seventy-five to twenty-five cents advance on making boots, according to their quality. Is this spirit of exaction to be encouraged? Will the community be satisfied to be at the mercy of these men? Your verdict must determine, whether it is to be continued or suppressed: nor can they plead the conduct of the masters as an apology. You

heard but one witness say they ever reduced the prices of workmanship in the dullest season; and he speaks only of a reduction of twenty-seven cents, viz. from two dollars seventy-seven cents to two dollars fifty.

If this conspiracy was to be confined to the persons themselves, it would not be an offence against the law; but they go further. There are two counts in the indictment; you are to consider each, and to give your verdict on each. The first is for contriving, and intending, unjustly, and oppressively, to encrease and augment the wages usually allowed them. The other for endeavouring to prevent, by threats, menaces, and other unlawful means, other journeymen from working at the usual prices, and that they compelled others to join them.

If these persons claim the right to put the price on their own work, if they say their labour is their own, and they are the judges of its value, why not admit the same right to others? If it is the right of Dubois, and the other defendants, is it not equally the right of Harrison and Cummings? We stand up for the right of the journeymen, as well as of the masters. The last turn-out was carried by a small majority . . . 60 against 50, or thereabout: shall 60 unreasonable men, perhaps single men, having no one to provide for but themselves, distress and bring to destruction, 50 married men with their families? Let the 60 put what price they please on their own work; but the others are free agents also: leave them free, or talk no more of equal rights, of independence, or of liberty.

It may be answered, that when men enter into a society, they are bound to conform to its rules; they may say, the majority ought to govern the minority . . . granted . . . but they ought to leave a man free to join, or not to join the society. If I go into a country I am bound to

submit to its laws, but surely I may judge, whether or not I will go there. The society has no right to force you into its body, and then say you shall obey its rules under severe penalties. By their constitution you find, and from their own lips I must take the words, that though a man wants no more wages than he gets, he must join in a turn-out. The man who seeks an asylum in this country, from the arbitrary laws of other nations, is coerced into this society, though he does not work in the article intended to be raised; he must leave his seat and join the turnout. This was Harrison's case . . . he worked exclusively in shoes, they in boots; he was a stranger, he was a married man, with a large family; he represented his distressed condition; they entangle him, but shew no mercy. The dogs of vigilance find, by their scent, the emigrant in his cellar or garret: they drag him forth, they tell him he must join them; he replies, I am well satisfied as I am . . . No . . . they chase him from shop to shop; they allow him no resting place, till he consents to be one of their body; he is expelled from society, driven from his lodgings, proscribed from working; he is left no alternative, but to perish in the streets, or seek some other asylum on a more hospitable shore. To the prayers of Harrison and Dobbins, they gave this stern answer: we hear your prayer, but we will not relax . . . you may perish, but we will not permit you to work.

They may say, they did not permit their members to perish; they furnished these men with money for their support. They furnished Harrison with five dollars in five weeks; a man who can earn eleven dollars per week, must, for being idle, receive as a compensation, one dollar a week badly paid . . . charitable and compassionate associates! . . .

I will now proceed to shew you what the law is, and you will receive from the

court more information on the subject. It will be seen, that the mere combination to raise wages is considered an offence at common law: the reason is founded in common sense. Suppose the bakers were to combine, and agree not to sell a loaf of bread, only for one week, under a dollar, would not this be an injury to the community? . . . Certainly it would: and few men, unless their pockets were filled with money, could support it for any considerable length of time. All combinations to regulate the price of commodities are against the law. Extend the case to butchers, and all others who deal in articles of prime necessity, and the good policy of the law is then apparent.

HERBERT HARRIS¹

Mr. Baer on Stewardship

Mr. W. F. Clark wrote a letter to President Baer of the Philadelphia and Reading, beseeching him as a "Christian gentleman" to make at least some slight concession to the strikers, end the dispute, earn the blessing of God and the gratitude of the nation. But Mr. Baer, who in addition to other attributes had been vouchsafed a special knowledge of the Deity's will, replied in an American classic of Bourbonism:

"I see you are evidently biased in your religious views in favor of the right of the working man to control a business in which he has no other interest than to secure fair wages for the work he does. I beg of you not to be discouraged. The rights and interests of the laboring man will be protected and cared for, not by

the labor agitators, but by the Christian men to whom God in his infinite wisdom has given control of the property interests of the country. Pray earnestly that the right may triumph, always remembering that the Lord God Omnipotent still reigns and that his reign is one of law and order, and not of violence and crime."

OLIVE CHACE²

The Open Shop Campaign

The major offensive in the campaign of American employers in behalf of the open shop occurred during the post world war [I] period but the opening guns of the initial engagement were fired shortly after the turn of the century.

A period of prosperity had brought with it increased trade union activity and the large yearly additions to their membership rolls had encouraged labor organizations to press demands for higher wages, the eight-hour day and the closed shop. Strikes were numerous and union successes many.

To many employers the situation seemed one which called for action. In 1900 the Employers' Association of Dayton, Ohio, successfully converted Dayton into an open shop center while the Citizens Committee of St. Louis performed a similar function for its community. The National Metal Trades Association was next in the field with a declaration of principles making the open shop the Association's policy.

Early in 1903, David M. Parry, President of the National Association of Manufacturers, made his position clear. The manufacturers quickly rallied behind his

¹ Herbert Harris, *American Labor*, Yale University Press, New Haven, 1939, by permission of the publishers, pp. 126 f.

² Reprinted by permission of the author from an unpublished manuscript. The author was a graduate student at Yale.

banner. His aggressive anti-union stand in the 1903 convention placed the National Association of Manufacturers at the head of the open shop movement. During his administration the tone of the entire employers' offensive was set and a declaration of principles adopted which was to remain the guiding philosophy of the organization for years to come.

The Association had been organized in 1895 for the promotion of trade and commerce and it was not until the convention of 1903 that formal cognizance was taken of the increasing activity of organized labor. That the change was abrupt and violent may be seen by the following extracts from the Annual Report of President Parry:

After speaking of the success of the N.A.M. in defeating the "socialistic" eight hour day and anti-injunction bills sponsored by organized labor he says: "But though the first victory has been won the contest is by no means over. . . . It is true that the fight against organized labor is, in a measure, a departure from our former conservative policy respecting labor, but it is an inevitable departure if the Association hopes to continue to fill the full measure of its possible usefulness to the manufacturers and people of the country. Heretofore organized labor has had only the individual employer to combat but its growing power now demands a counter-organization strong enough to resist its encroachments. . . . The duty that lies before us is . . . to arouse the great middle class to a realization of what trades unionism really means. . . . Once thoroughly alive to the true nature of this un-American institution, the people, I firmly believe, will place their stamp of disapproval upon it, and it will dwindle in power faster than it grew. Perhaps a new form of unionism will take its place—beneficent unionism—for the right of the workmen to organize is not to be disputed, nor is it to be denied that, if conducted along right lines, their

organizations have it in their power to accomplish good. The employers of this country have no quarrel with the men that work for them considered as individuals. The welfare of those who toil in our factories calls for our most earnest consideration. But what we must protest against is the unwarrantable usurpation of rights and disastrous industrial policy which characterizes them in their present associated capacity. . . . Organized labor knows but one law, and that is the law of physical force—the law of the Huns and the Vandals, the law of the savage. It does not place its reliance in reason and justice but in strikes, boycotts and coercion. It is in all essential features, a mob-power, knowing no master except its own will, and is continually condemning or defying the constituted authorities. . . . Its history is stained with blood and ruin. . . . Composed as it is of men of muscle rather than men of intelligence, and commanded by leaders who are at heart disciples of revolution, it is not strange that organized labor stands for principles that are in direct conflict with the natural laws of economics. . . . To my mind this is not the proper time to talk conciliation. . . . Since the principles and demands of organized labor are absolutely untenable to those believing in the individualistic social order, an attitude of conciliation would mean an attitude of compromise. . . . In my opinion neither is it the time to talk arbitration or joint agreements. To arbitrate questions of wages and hours is to introduce artificial methods of determining what they shall be and an equitable arrangement as to either cannot be effected artificially."

The Declaration of Principles adopted by the N.A.M. in 1903 stated that the association was "Not opposed to organizations of labor as such" but did oppose "boycotts, blacklists and other illegal acts of interference with the employer or employe." It denounced discrimination

against the employe because of "membership or non-membership in any labor organization" and declared that "employers must be unmolested and unhampered in the management of their business." In wage contracts between employer and employe there must be "no interference or dictation on the part of individuals or organizations not directly parties to such contracts." In 1904 a paragraph was added outlawing the closed shop by name.

There were to be sure a few voices heard at the convention which questioned the wisdom of the association's new attitude. One member feared that the actions at the convention would be "taken by the unions over the country as a declaration of war." "I think," he added, "that this association has a great opportunity to do a grand work to help remove the friction there has been in existence between employers and employees. I think all we need to do is to inject a little more humanism into us. We should treat with each other as human beings. I do not think this association should commit itself to a policy of hatred." Another speaker pointed out that what the association proposed to do was "exactly in line with the policy that is followed by the unions of which we are complaining" while a third pleaded that the association should not go so far as to give the impression that employers were organizing "for the destruction of labor and labor unions."

Labor did react but not to accept the challenge as one of war. Samuel Gompers condemned Mr. Parry in his most colorful language but expressed himself as confident that he represented but "an infinitesimal part of the American employers."

Employer organizations. Gompers regarded as a compliment to the strength of organized labor and saw no objection to them "provided—using a familiar phrase heretofore applied to organized labor—they are rightfully conducted."

RAY STANNARD BAKER¹

Employer Philosophy Towards Labor

Ray Stannard Baker (1870-1946) was a leading magazine writer and editor of McClure's Magazine during the "muck-raking" period. He also wrote many books under the pen name of David Grayson.

"The only way of combating and overcoming that"—the "wave of unrest in certain locations," he [Judge Gary] said to the presidents of the subsidiary companies of the United States Steel Corporation on January 21, 1919, "is for the employers, the capitalists, those having the highest education, the greatest power and influence, to so manage their own affairs that there will be left no just ground for criticism."

"Make the Steel Corporation a good place for them (the workers) to work and live. Don't let the families go hungry or cold; give them playgrounds and parks and schools and churches, pure water to drink, every opportunity to keep clean, places of enjoyment, rest and recreation: treating the whole thing as a business proposition; drawing the line so that you are just and generous and yet at the same time keeping your position and permitting others to keep theirs, retaining the control and management of your affairs, keeping the whole thing in your own hands, but nevertheless with due consideration to the rights and interests of all others, who may be affected by your management."

... a division of control even in one department of the industry, not only threatens the power of the capitalist-

¹ Ray Stannard Baker, *The New Industrial Unrest: Reasons and Remedies*, Doubleday and Company, New York, 1920, by permission of the publishers, pp. 18-19; 21-22.

employer, but ~~makes for confusion and~~ lowered production. He cites the English situation as an example of this and bids us beware of it. So he is against the whole (unionization) movement, root and branch: for it is to him the beginning of revolution.

"How did you know," asked Senator Walsh, in the Senate inquiry, "that hundreds of thousands of your employees were content and satisfied?"

"I know it," said Judge Gary, "because I make it my particular business all the time to know the frame of mind of our people. . . . My instructions regarding the treatment of the men are absolutely positive."

It follows then, that the strike, which was a great surprise and shock to Judge Gary, was not due to *his* workers, not due to any grievances upon their part—for his instructions regarding their good treatment were "absolutely positive,"—but to outside agitators and revolutionaries, and to foreigners—as he repeatedly tells the Senate Committee.

OHN KIRBY¹

What Does Unionism Mean to You?

John Kirby (1850-1925), one-time president of the National Association of Manufacturers, was an American industrial leader of the early twentieth century.

Let us for the moment try to look at the matter from the standpoint of the

¹Address delivered before the Manufacturers' Association of Bridgeport, Connecticut, April 19, 1910; by John Kirby, Jr., President of N.A.M. In this address Mr. Kirby was not stating official views of the N.A.M.

novice, the party representing, supposedly, the disinterested public, with an effort to enlighten him in the form of colloquy. . . .

Novice—"But can it be reasonably denied that labor unionism is a good thing for the working classes?"

Answer—"No; it cannot when unions keep within lawful and reasonable limits. But it is easy to show that no organization or fraternity on earth is so liable to abuse as labor unionism. It stands to reason that the workers, possibly more than all others, are susceptible to the baleful influence of cunning agitators and heartless demagogues. Every intelligent worker will admit this fact; but, being in the hopeless minority in the union, granting him to have been coerced into it, he dares not enter a protest. To do so often means insult, or personal injury to himself and brutal ostracism to his family by the 'loyal' members of the unions."

Novice—"Well, if the labor unions are so popular and so powerful numerically as you intimate they are, why should not all workmen join them, and share the advantages which seem to accrue to unionism?"

Answer—"In the first place it is proper to inform you that only approximately 15 $\frac{3}{10}$ percent of the working people of this country belong to labor unions of any kind. The rest decline to be dominated by union bosses, for excellent reasons. I will try to enumerate a few of the soundest of these reasons:

"1. Only a very few of the labor unions live up faithfully to their open professions. Most of them boldly operate in defiance of contracts and court decisions. This is especially true in so-called 'sympathetic strikes.'

"2. They enforce their strikes and lawless boycotts by methods of savage violence. This policy is adopted by them quite evidently because they regard a

peaceful and lawful strike as absolutely ineffective. It is impossible to imagine a strike without the accompaniment of violence, destruction of property and murder unless the employer ceases operation of his plant pending a settlement of the controversy. This has been abundantly demonstrated by experience.

"3. The 'closed shop,' which is primarily designed to shut out all but members of the labor trust, to limit the output of factories and to refuse opportunity to learn trades to the great majority of young men who desire to enter the trades as apprentices, and this means not only the offspring of all non-union workers but an alarmingly large percent of even the children of union men. . . ."

We want no more insurrection and rebellion against the constituted authority and the courts. And it is no departure from the original policy of the republic, but, on the contrary, sustains it. . . .

The open shop means open opportunities for all. The closed shop means—and is intended to mean—closed opportunities to all except a self-elected class. More than this, the closed shop means:

The denial of opportunity for boys to acquire trades and thus to fit themselves for useful and industrious lives. Such denial forces the youth of the country to lead lives of indolence and crime, but that fact is of little consequence as compared with the primary purpose to create a dearth of mechanics that a great labor monopoly may be established.

It means a merciless and malignant warfare against non-union workmen.

Demands upon employers that are absolutely contrary to fair and rational business methods.

The establishment of class distinctions which do not belong normally to American society, and that tend inevitably to destroy our republican system of government.

The wickedly foolish and suicidal policy of increasing wages at one end and limiting output at the other, merely to serve the selfish interests of a trades union minority, and thus doubly depreciating the purchasing power of money, to the injury of all other classes of society.

The compulsion of every worker to obtain, if he can, a license from a *labor trust boss* before he or she can earn a livelihood, and then only upon such terms as the boss shall dictate.

A general policy of intimidation, coercion and even murder, as the confessedly sole means of enforcing their demands, and retaining the closed shop system.

The prosecution of the foreign-born boycott, condemned by all reasonably disposed people throughout Christendom, and which can only be carried out by violence and vandalism or by methods that are too contemptible for civilized beings to tolerate.

A gigantic union labor trust of the most dangerous and vicious type, tending finally to work irreparable injury not only to society but to the union members themselves, in that the logical result of the system must be to establish a dead level condition of the worst conceivable impediment to personal ambition and effort, since the very logic of trades unionism, as interpreted by many of its promoters and leaders, assumes the labor element to be fixed in a hopeless condition of servitude from which there can be no escape save through the revolution of our industrial system, a condition which John Mitchell has exemplified by his declaration of "once a laborer always a laborer."

And, finally, the closed shop means the encouragement of mob law, as evidenced in nearly every union labor strike, with its unfailing resort to the most unspeakable depredations.

COMMISSION ON INDUSTRIAL RELATIONS¹

Criticisms of Existing Trade Unions

The majority, at least, of the labor representatives who have appeared before the Commission have urged that the most potent, and in fact, the only real remedy for the existing industrial situation lies in the rapid extension of labor organizations along essentially the lines of the existing trade unions.

It is therefore of the greatest importance to have brought together in definite concrete form the criticisms on trade unions. These criticisms come from two main sources,—the employers and the so-called “radicals” who advocate other forms of organization. Accordingly there have been summarized below the principal criticisms (employers’) that a preliminary analysis of the testimony has brought to light, and in addition the typical replies of the trade union representatives to these criticisms.

CRITICISMS BY EMPLOYERS

Criticism 1. Lack of responsibility on part of unions; not only is there no penalty for the breaking of agreements, but the employer has no redress even for material damage done by the union, except through legal action against individual members.

The reply of the union representatives is: That experience has shown the best guarantees of the observance of contracts to be moral responsibility and regard for the reputation of the union. That the instances of contracts broken by unions are few in number, and inconsiderable in comparison with the number of contracts broken in the business world, where

money damages are commonly imposed. That putting up a forfeitable bond would lower the entire plane upon which the observance of contracts now stands, and would simply mean a financial calculation on the part of the union to see whether a breach of contract would leave a balance in favor of its members after the bond was forfeited. That the assumption of financial responsibility by the unions would simply be taken advantage of by the employers to harass the unions.

Criticism 2. The “closed shop” policy of the unions not only means a monopoly of labor as far as the employer is concerned, but also prevents competent mechanics, who are unable or unwilling to accept the terms imposed by the union, from obtaining employment at their trade.

The reply from labor is that there is no “closed shop,” but that the maintenance of the “union shop” imposes no burden on the employer, who is free to employ any workman he pleases provided that the workman will become a member of the union, and bear his share of the responsibility in return for the benefits which the union offers to all who work where union conditions have been established. That the conditions imposed upon applicants for membership are merely those which every competent mechanic can meet, and that they are reasonable from every standpoint and necessary for the protection of the trade.

Criticism 3. The unions stand for restricting the output of industry, and insist, nevertheless, on the payment of the standard wage for an output which is below standard.

The reply is that the unions have never attempted to establish a restriction on output, save as a protection for the health of their workers and to prevent the over-speeding of all by the use of pace-makers. That the union is applying merely the rule of ordinary business, where the

¹ Commission on Industrial Relations, First Annual Report, Washington, D. C., 1914, pp. 24-39.

amount of a given commodity sold is regulated entirely by the price that is paid.

Criticism 4. The unions establish a uniform wage rate for all members, which results in rewarding the incompetent with higher wages than they earn, and destroys the ambition of the skilled workers.

The labor representatives reply that the standardization of the wage-rate to a dead level is the work of the employers, not of the unions. That the unions merely establish minimum rates and leave the employers free to pay the individual workman as much more as they please. Some of the employers have admitted that this is true in theory, but insist that as soon as a skilled individual is paid higher than the minimum rate the other members immediately demand the same rate of pay.

Criticism 5. The unions establish unreasonable and arbitrary restrictions on apprentices, which not only prevent a sufficient supply of skilled workmen, but also prohibit the American boy from learning the trade in which he is interested.

The unions' reply is that where restrictions of apprentices exist, they are not arbitrary, but are, on the contrary, fixed after careful consideration with the idea of preventing an oversupply of labor in the trades, and the consequent "cut throat" competition for employment. That the employers usually do not make use of the full number of apprentices to which they are entitled under the union rules, and, furthermore, that the employers do not sincerely wish to train apprentices, but on the contrary, wish merely to make use of a cheap labor supply.

Criticism 6. The power of the unions is based, not on reason or on advantages offered to employers, but on a policy of coercion.

This statement is denied by the union representatives, who assert that the charge falls flat as soon as the history and organic

structure of trade unions are intelligently studied.

Criticism 7. The unions use violent methods and do not hesitate to violate the law or to destroy property or life, if necessary to gain their ends.

The unions reply that violence is never sanctioned by any legitimate labor organization and is never resorted to by individuals except under severe provocation and in self-defense. They recognize their duties to defend their lives, homes, and families, but, even under attack, exercise much greater self-control than the civilized nations. On the other hand, they insist that most of the violence which occurs in connection with industrial disputes is deliberately provoked by the agents of the employers, in order to discredit the unions, or to secure employment or reward for themselves.

The testimony of a number of witnesses shows, however, a widespread opinion that violence is the natural accompaniment of disputes where large numbers of men are brought together. Witnesses have stated that there is a lack of frankness on the part of both employers and employees regarding violence, and that both sides use violent methods whenever it serves their ends.

Criticism 8. The business agents and other officials of the unions have too much power, and abuse it by becoming blackmailers and grafters.¹

The reply of the union representatives is that the officials in trade unions possess only the power necessary to transact the business of the unions, and, in fact, have very much less power than the officials of corporations. That this power is seldom

¹ It is interesting to note that most of the employers who testified with regard to the United Mine Workers, the strongest labor union in the country, greatly deplored the fact that the officials were without the power necessary to control the rank and file of the union, or to fix a definite, clear-cut policy.

abused, and that when it is clear that the charge against a union official is true, and not simply a trumped up charge to weaken the union, there is always rapid and decisive action by the union to punish such an official. That any abuse of power by officials for blackmail or graft is necessarily detrimental to the interests of the union, and consequently can never be regarded with favor by trade unionists themselves.

Criticism 9. The action and policies of trade unions are frequently the result neither of reason nor of a purely economic interest, but on the contrary are determined largely by union labor politics.

This charge is generally met by an admission on the part of the union officials that unions are subject to the same defects as other democratic institutions, but it is pointed out that the unions have always, at the earliest possible moment, adopted all the measures which have proved of value in the political field to insure actual democracy. They point out that the initiative, referendum, and recall were adopted by the unions, before they found any general support in the field of political government in this country.

Criticism 10. The unions create antagonism between the employer and his individual employes, and undermine the discipline of the shop.

This is denied by the unions. It is insisted that the employer regards any instruction of individual workmen with regard to their rights as an attempt to create antagonism and to destroy discipline. That the employer who makes this point is not interested in the orderly and harmonious conduct of his shop, but in having the individual employes subjugated so they will be entirely subservient to his wishes.

Criticism 11. The unions, as soon as they acquire strength of numbers and a compact organization, make unreasonable

demands upon employers and imperil the very life of the industry.

The union representatives insist that, while their organizations are subject to the frailties of human nature, a careful examination of the facts will show that unreasonable demands seldom arise from strong organizations, but, on the contrary, are made by weak unions which have little to lose by erratic action.

Criticism 12. Some unions are disloyal to the state, in that they prohibit their members from joining the militia, and discriminate against men who have served in the regular army.

The unions, in reply, demand the production of specific cases where such action has been taken; but their representatives admit that a strong suspicion and aversion to the militia has grown up in the minds of many individual unionists, not toward the militia as a state institution, but as a tool which is used by the employers for their own advantage and for the destruction of the union.

Criticism 13. The unions are not sincere in their demands for collective bargaining, for, as soon as they have obtained power in any trade or locality, they proceed to make their demands in the form of ultimatums to the employers.

The union representatives state that, while in many cases terms are fixed by the union because of the lack of adequate organizations of employers with which to take up such questions, nevertheless, the unions are at all times ready to discuss their demands either with individual employers or any associations directly interested. That wherever the employers accept such conditions, it is due to their own apathy in failing to form a proper organization with which the unions can deal.

Criticism 14. The union rules are designed for selfish purposes, and make for waste and social inefficiency. As instances, witnesses have cited the rules in the printing industry, limiting the amount and

character of work which feeders for pressmen are allowed to perform, and specifying that all plate must be reset by members of the union, even when furnished in usable form.

The unions reply that each of these rules, if carefully considered, will be found to be reasonable and to be necessary for the protection of the rights of the employees. That the rules which are most frequently cited as being of an unreasonable character, are those which were originally suggested by the employers for their own interest.

Criticism 15. The acceptance of union conditions yields the control of many elements of a business to union officials, who are not connected with the industry, and who have no direct interest in its progress and life.

The union representatives state that, on the contrary, the control of those elements of a business in which the union interests itself, is in the hands of the employer and of the members of the organization who have the most direct interest in the welfare and prosperity of the industry.

Criticism 16. The unions, while asserting their right to control certain elements of the employers' business, are unable to prevent jurisdictional disputes among themselves, and as a result cause enormous loss to the industry and the public.

The reply of labor representatives is, that jurisdictional disputes arise inevitably from the rapidly changing character of American industry; that they are more genuinely deplored by the unions than by any one else; and that every effort is being made either to prevent their occurrence or to settle them as soon as possible.

Criticism 17. The unions use the "sympathetic strike" ruthlessly, illegally, and to the certain injury of innocent parties who have no interest in the dispute.

The unions reply that the sympathetic strike is used, only after mature consideration, for the protection of their fellow

employees. That the sympathetic strike is entirely legal, and the so called innocent parties are subject to injury, not by the will of the union, but because of the peculiar economic position which they happen to occupy.

Criticism 18. The unions, by using the so-called "secondary boycott," are guilty of an illegal act of conspiracy to injure innocent parties who are neither responsible for, nor interested in, the dispute at issue.

The unions reply that it is certainly legal for an individual, or indeed for a corporation, to withhold its patronage for any reason whatsoever, and that it must therefore be equally legal for an association of workers, acting as an entity, to do the same thing.

The criticisms outlined above are those which have been presented to the Commission by the representatives of the employers.

LEO WOLMAN¹

Employers and Welfare Capitalism

Leo Wolman (1890-) now teaches at Columbia University and is on the research staff of the National Bureau of Economic Research. He has had broad experience in labor relations, and was formerly research director for the Amalgamated Clothing Workers, and Chairman of the Advisory Board, National Recovery Administration.

~~The dominant opinion of American employers has rarely been sympathetic with organized labor. Owners and managers of~~

¹ Leo Wolman, *Ebb and Flow in Trade Unionism*, National Bureau of Economic Research, New York, 1936, pp. 156 ff.

industry have long opposed what they regard as the burdens and inflexibilities of union agreements. They prize highly the benefits of freedom of management and they reject union rules which, in their judgment, tend to retard advances in technology and in methods of factory management to which they ascribe the rising productivity of labor and industry and the high levels of American wages. Both during the World War and under the NRA employers generally viewed with alarm the close relations being forged between government and organized labor, and no small part of the revulsion against war control over industry and against the NRA in 1934 was due to the prevalence of this state of mind.

In the history of industrial relations employers' opposition to unionism has assumed a variety of forms. Particularly before the War, campaigns for unionization often developed into fierce contests for supremacy marked by extensive violence and riots. Whatever the merits of the dispute, the outcome was determined by the strength of the contestants. Intimidation and coercion were widely used on both sides and the power of employers in these struggles was not infrequently enhanced by the use of elaborate and expensive systems of company guards and by control of local public authorities. The deep antagonisms which long prevailed in our labor relations account for such periodic eruptions as the Homestead and Pullman strikes and explain the violence that has characterized strikes and lockouts in this country for so many years.

While these methods still persist, they have come to be replaced in many industries by more direct, peaceful and constructive measures designed to win the loyalty of employees and to keep them indifferent to labor organization. The widespread development of company welfare plans, generally adopted not much before 1920, is

evidence of the radical alteration in the labor policy of industry. Group life insurance, amounting in 1912 to only 13 million dollars, is now well in excess of 10 billion and is being extensively purchased by employers. Thrift and stock-purchase plans were widely introduced during this period.

These devices of "welfare capitalism" have multiplied swiftly in number and variety. No adequate description of them exists in the available literature. The standards of personnel management in American industry have been vastly improved during the last twenty years. Methods of hiring and firing and handling shop grievances have been transformed with the introduction of standard procedures and the transfer of authority from foremen to employment and personnel managers.

At the same time there has been a considerable development in new forms of employee-representation. Labor conditions during the World War and the activities of governmental labor boards became powerful stimuli to the spread of collective bargaining. An increasing number of companies then began their experiments with company or plant systems of representation. The number of employees working under arrangements of this kind increased from 400,000 in 1919 to 1,300,000 in 1926. With the persistence of prosperity and the decline in strikes during the 1920's, the interest of employers in the promotion of employee-representation seemed to lag and the number of plans declined. But the aggressive organizing campaigns by union labor associated with the NRA shortly produced a new crop of representation plans.

The welfare activities of industry and company and plant forms of representation have, it is generally conceded, served as effective barriers against the advance of organized labor. While the indifference to unionism during the 1920's reflected in

part the prosperity of the period, improvements in labor policy were by no means an inconsiderable factor in the situation. The vast expansion in employee-representation plans since the summer of 1933 has added to the disputes in industrial relations, for the new plans set up by the employers have been vigorously attacked by the trade unions as lacking the essential qualities of genuine instruments of collective bargaining.

T. M. GIRDLER ¹

The Way to Industrial Peace

T. M. Girdler (1877-) is a leading industrialist, president of the Republic Steel Corporation.

I believe it is possible to have industrial peace. I believe in the principle of collective bargaining. I believe that industry should pay the highest wages, and provide the shortest hours with the best working conditions, that are economically feasible. And I believe that all these can be best attained under the capitalistic system.

How are we to achieve the goal of industrial peace in this country? Is it through the compulsory unionization of all workers and the creation of a class-conscious, militant union movement?

When I say that is not the way, I am making no blanket indictment of unions. I know that many unions have served their members well and some of them, unquestionably, have acted for the good of the industry as well.

In the mass production industries, such as steel and automobiles, . . . wages have constantly advanced and working conditions have been constantly improved. Since 1890, wage rates in the steel industry, for example, have increased 260 percent, and the work week has been reduced 44 percent. These are great social advances made without benefit of the unions.

The idea has been widely circulated that in many large industrial corporations, employees have not joined a union because they were coerced by their employers. I want to ask you this question—just how does an employer of thousands of employees coerce these employees?

The idea becomes silly when it is recalled that out of the approximately 50,000,000 people gainfully employed in this country only about 5,000,000 are members of all trade unions. I believe this to be the accurate figure, although some claim that the figure is now 7,000,000.

The United States is still a free country. The fact of the matter is that no large employer, whether he wished to or not, could succeed in dominating the thinking and the allegiance of his employees and their families. And yet that is something which many of the so-called liberal thinkers in this country simply cannot seem to understand. They do not know the American worker and therefore they cannot understand why he does not do what they think he should do. . . .

I think it is clear that the vast majority of American workers do not want to belong to unions for various reasons of their own. And I believe that if they do not want to join they should have that right, just as they should have the right to join if they want to do that.

I am against coercion for the worker, coercion for the employer, coercion for anybody. My whole philosophy for industrial relations can be summed up in the single phrase, "Let's keep the United

¹ An address delivered at the University of North Carolina, January 31, 1938. Mimeographed and distributed by Republic Steel Corporation.

States a free country." If we can do that, I, for one, am not going to be worried about the outcome.

In the recent past, certain labor leaders have said, in effect, "It is not enough that workers have the right to bargain collectively. Workers must use our particular brand of collective bargaining. They must use our brand of collective bargaining whether they want it or not. They must be forced to use it."

That is the philosophy which has helped to distort our labor legislation, and the administration of such legislation. That is the philosophy which, carried through to its logical conclusion, calls for the closed shop and the check-off. That is the philosophy which, in the end, would lead inevitably to a labor dictatorship—a labor monopoly—which in the name of protecting the worker, would in fact destroy the individual freedom of the worker and make him merely a dues-paying cog in a semi-political machine.

A review of important strikes over the past two years shows all this to be only too plainly true. Collective bargaining has not been an issue, for that has long since been written into the law. The issues have not been wages, hours or working conditions. In the steel strike, for instance, not one of these was involved. The issue was whether the company would sign a contract with an irresponsible labor union which would use the contract in an effort to force all employees to join the union whether they wanted to or not, and it was soon made clear that this union would not hesitate to employ methods of violence in an effort to gain its ends.

In my opinion it is important for the country today to realize that solution of the problem of industrial peace does not lie in the imposition of one particular method of collective bargaining upon workers and upon industry. The important question is how to preserve the actual

right of collective bargaining, and the human rights of all of the individuals concerned in collective bargaining—employers as well as employees. All too often in the past methods of violence have been used by unions in an effort to intimidate employers and employees alike, but fortunately in some parts of the country, at least, there have been public officials courageous enough to enforce the law without fear or favor.

The individual employee should have the right to decide whether or not he joins a union, or what union he may wish to belong to. He should have the right to decide for himself whether or not he wishes to pay dues to a union. . . .

On the other hand, we must of course preserve the right of collective bargaining through any means which employees may choose for that purpose. Some of them may wish to affiliate themselves with the CIO for collective bargaining purposes; some may prefer the AFL; some may prefer independent organizations. And some, on the other hand, may prefer to belong to no union at all, and to handle their relationships with their employer on an individual basis.

Whatever the form of collective bargaining to be adopted by employees, its success will depend upon the degree of consideration which both management and the employees give to each other's problems. Without cooperation and mutual understanding between men and management, there can be no answer to the problem of industrial peace in this country. It can never be attained if men and management are to be held at swords points.

The test of successful management over the years ahead increasingly will be its ability to inspire and deserve the cooperation of employees. There are no trick ways to solve that problem. Signing up with the CIO and calling it a day won't do it.

Mere collective bargaining of any kind will not do it alone.

There must be the will and the earnest, constant endeavor on the part of management, from the top executive to the foreman in the plant, to understand the human and economic problems of its employees. Who can hope to know these day-to-day problems so well as management itself, which is in day-to-day contact with the men? And once those problems are understood they must be met and dealt with fairly and squarely. If we will adopt that formula and work at it, most of our labor problems will dissolve in thin air.

NATIONAL ASSOCIATION OF MANUFACTURERS¹

The Basic Principles Behind Good Employee Relations and Sound Collective Bargaining

To develop sound and friendly relations with employees, to minimize the number and extent of industrial disputes, and to assure more and better goods at lower prices to more people, American employers should see that their policies encourage:

- (a) High wages based on high productivity, with incentives to encourage superior performance and output;
- (b) Working conditions that safeguard the health, dignity and self-respect of the individual employee;
- (c) Employment that is stabilized to as

great a degree as possible, through intelligent direction of all the factors that are under management's control;

(d) A spirit of cooperation between employees and the management, through explanation to employees of the policies, problems and prospects of the company.

The right of employees to join or not to join a union should be protected by law. In exercising the right to organize in unions or the right not to organize, employees should be protected by law against coercion from any source.

When the collective bargaining relationship has been established, both employers and employees, quite aside from their legal obligations and rights, should work sincerely to make such bargaining effective. Collective bargaining should be free from the abuses which now destroy its benefits. It is believed that the abuses of collective bargaining will gradually disappear if both management and labor will adhere to the following principles:

1. The union as well as the employer should be obligated, by law, to bargain collectively in good faith, provided that a majority of the employees in the appropriate unit wish to be represented by the union.

2. The union as well as the employer should be obligated, by law, to adhere to the terms of collective bargaining agreements. Collective bargaining agreements should provide that disputes arising over the meaning or interpretation of a provision should be settled by peaceful procedures.

3. Monopolistic practices in restraint of trade are inherently contrary to the public interest, and should be prohibited to labor unions as well as to employers. It is just as contrary to the public interest for a union or unions representing the employees of two or more employers to take joint wage action or engage in other monopolistic practices as it is for two or more

¹ A report by the Industrial Relations Program Committee of the National Association of Manufacturers, approved by the Board of Directors, December 3, 1946.

employers to take joint price action or engage in other monopolistic practices.

4. If a legitimate difference of opinion over wages, hours or working conditions cannot be reconciled through collective bargaining or mediation, employees should be free to strike where such strike is not in violation of an existing agreement. However, the protection of law should be extended to strikers only when the majority of employees in the bargaining unit, by secret ballot under impartial supervision, have voted for a strike in preference to acceptance of the latest offer of the employer. Employees and employers should both be protected in their right to express their respective positions.

5. No strike should have the protection of law if it involves issues which do not relate to wages, hours or working conditions, or demands which the employer is powerless to grant. Such issues and demands are involved in jurisdictional strikes, sympathy strikes, strikes against the government, strikes to force employers to ignore or violate the law, strikes to force recognition of an uncertified union, strikes to enforce featherbedding or other work—restrictive demands, or secondary boycotts.

6. No individual should be deprived of his right to work at an available job, nor should anybody be permitted to harm or injure the employee, or his family, or his property, at home, at work or elsewhere. Mass picketing and any other form of coercion or intimidation should be prohibited.

7. Employers should not be required to bargain collectively with foremen or other representatives of management.

8. No employee or prospective employee should be required to join or to refrain from joining a union, or to maintain or withdraw his membership in a union, as a condition of employment. Compulsory union membership and interference with voluntary union membership both should be prohibited by law.

9. Biased laws and biased administration of laws have made a contribution to current difficulties, and should be replaced with impartial administration of improved laws primarily designed to advance the interests of the whole public while still safeguarding the rights of all employees. The preservation of free collective bargaining demands that government intervention in labor disputes be reduced to an absolute minimum. The full extent of government participation in labor disputes should be to make available competent and impartial conciliators. Compulsory arbitration, in particular, is inconsistent with American ideals of individual freedom, and is bound to destroy genuine collective bargaining.

All labor and related legislation should be consistent with the principles set forth above. Any existing statutes that are in violation of such principles should be brought into accord with them through appropriate action by the Congress.

Industrial Relations
Program Committee

CLARENCE B. RANDALL, *Chairman*

DEVELOPING WORKABLE RELATIONS

GEORGE W. MEAD¹

Why I Unionized My Plant

Nine years ago this spring a union-membership campaign gave the paper-makers' union a foothold in our Wisconsin Rapids plant. We were opposed to the union idea, "on principle," as many other manufacturers are. In fact we just about saw red at the thought of having our plant unionized.

~~Why, indeed, should our men want to join with outsiders in organizing against us? We~~ had always treated them fairly; they themselves would be the first to admit it. We had paid good wages and had voluntarily given the men bonuses when war prices had increased our income. Our plant was pleasant to work in. Our hours were reasonable. We had given every proof of our desire to be square. Or so it seemed to us.

Why, then, this business of tying up with an outside union?

My first reaction was to tell the men

¹ George W. Mead, "Why I Unionized My Plant," *Factory and Industrial Management*, February, 1928, reprinted by permission of the editors of *Factory Management and Maintenance*. This article was accompanied by the following note from the editor: "Many a reader of *Factory and Industrial Management* will take violent exception to Mr. Mead's attitude toward labor unions. This question most employers deny is open to argument. What the author says here is in no sense argumentative; he gives a simple, straightforward explanation of his own experience with and attitude toward organized labor. Because of its unusual viewpoint, it may help a good many industrial executives to see the other side of a subject generally regarded in management circles as having no other side."

that if they belonged to a union they could not work for me. We had got along without unions for 16 years; we could get along a while longer. We had always been fair; we would continue to be fair, and loyal men would stay with us and others fill the places of the disloyal. Other plants in Wisconsin were not unionized; if they could keep out the unions we could. So we had what union men would call a lockout.

Some of our men came to me in person and told me they wanted to stick with us while the union men were out. We could undoubtedly have continued to operate, especially if we had wanted to employ non-union men from other cities.

But we wanted to be fair to the men who were fair to us. Why brand them to their fellowmen, who would undoubtedly be back at work as soon as they had time to think over their unreasonableness? No use causing a permanent split in our ranks.

And then, with the plant idle, I myself had time to cool off and do some thinking. I had reacted on an emotional basis. Now I acted on a basis of reason.

Men who had been with us for years were out of work, their families without income. Our mill was idle, our business hazarded if we kept it idle too long. Local merchants and the local community as a whole would suffer while this big slice of its support was cut off. Wasn't there another way out? It seemed to me that there was. The whole affair—lockout or walkout, whatever you call it—was due to my own personal opposition to unions. Had I carried this opposition further than was necessary?

The result of my three days' thinking

was that I sent word to our men that they could come back if they wished, on these conditions: Any man who wanted to retain his union membership could do so, but they must not expect me or the company to recognize or deal with the union. And they all came back.

As I sat in my office that next morning and watched them come walking past my window with eager step and bright eye, talking, laughing, and with never a sign of bitterness or resentment, I gained a new sense of what a man's job means to him. Most of these men had been with us for years; the plant was in a real sense their home. They were just as glad to be back as I was to have them back. We had gained our real point, and lost nothing. So we started work with an "open shop."

But the incident had started our thinking in different lines. Or, rather, we had discovered the vital fact that our prejudices and emotions had at least as much to do with our actions as did calm, constructive reasoning.

We had been planning to raise wages in the spring—this was in 1919. But there were some problems connected with the increase which we in the office could not solve to best advantage by ourselves. For a proper solution we needed certain information that only the men themselves could give us.

Another thought ran somewhat along these lines. Now that we must have a union here in our plant, is there anything we can do to make it a good union rather than a troublesome one? And have unions good points that we can develop to advantage? If so, what are these points?

Deliberately and independently we began to investigate. We looked into union ideas and principles as we would have looked into a chemical problem in paper-making, or a problem in developing our supplies of pulp wood.

One of the steps we took was to call in

some of the union leaders in the plant, at various times, for questioning. We gave them no encouragement. But we went pretty thoroughly into all the doubts and fears and prejudices that every non-union employer has. And we sought to learn what were the actual aims and ideals of our union men and those of their outside associates and leaders.

The result was that a new view-point was presented to us, of which we had never before been conscious. We found that the union men, although they too were beset by fears and prejudices, had also an unexpected store of well-reasoned plans and aspirations. Above all they exhibited a striking candor and honesty. They talked very frankly about what seemed to them our shortcomings, and they were equally unreserved on points more favorable to us and less favorable to them.

We decided, when this stage of inquiry was passed, to keep on applying the scientific method to our union-labor relations. Inquiry first, then trial and error. We would see what would happen if we attempted negotiations with the union. And if something reasonably promising resulted, we might give it a year's trial. Our position could be made more difficult by so doing, but at least experience and information would be gained that would guide us in shaping our course in the future.

As a result, in May of 1919, we signed a one-year's contract, or "joint labor agreement," with representatives of three unions: The International Brotherhood of Paper Makers; The International Brotherhood of Pulp Sulphite, and Paper Mill Workers; and the International Brotherhood of Electrical Workers.

The further result is that each of the eight springs since 1919 has seen a new contract based on the experience of the previous year and signed by both parties

after fresh negotiations have cleared the atmosphere of any new aspirations or dissatisfaction on the one side or the other.

I do not have to wonder what the average employer who has never made year-to-year contracts with a union thinks of all this. I have been an anti-union employer myself. And I have talked with too many anti-union employers not to know. "If you encourage union labor, where is it going to stop in its demands?" is the first reaction of the employer to whom the word "union" connotes only "strikes" and "blacklists."

"You are putting in the hands of workmen authority that belongs only to the management," says another.

"I don't want outsiders telling me how to run my business," is the comment of the employer who has visions of a walking delegate coming into his plant and ordering the men to lay down their tools if demands of the delegate are not met.

Certainly, if our experiment had proved any of these forebodings true we would not have kept on through nine successive contracts. However, our experience has been quite the opposite of what the employer would expect who holds himself in a mood of opposition. Instead of our unions going on and on to bolder and bolder demands, they have progressed year by year to a more and more effective cooperation.

The other day I had a visitor who was very much interested in finding out all he could about our union experiences. I asked this visitor to go out into the mill and talk to one of the union leaders. The man he talked to is secretary of the central labor union of our city and carries a card as organizer for the state labor federation. His heart and soul are in the labor movement. After their talk in the mill, the union man brought to the other's hotel in the evening a printed copy of a speech made last Labor Day by John P. Burke,

president of the International Brotherhood of Pulp, Sulphite, and Paper Mill Workers. And the corner that he turned down marked this passage:

"Workers Urged to Cooperate. Now let me say to you men who are employed by this company here at Wisconsin Rapids that our union mills may, in the years to come, be faced with quite severe competition from those non-union mills paying a low rate of wages.

"... However, I have always contended that if the management in the union mills will give us somewhere near the same equipment we shall not have to fear the competition of non-union mills. Union mills can be run more efficiently because of the greater intelligence of union men and because of the greater team-work and cooperation with the management. Therefore, I say to you union men in this audience: Cooperate with the management of the Consolidated Water Power and Paper Company to the fullest extent. Cooperate so that we may be able to maintain our union scale of wages here and get a little more from year to year. Cooperate to guard the eight-hour day. Cooperate so that you may have full running time. Cooperate so that the union men may be employed."

We feel that this plea for cooperation, coming from the workmen's own representative, is more effective than anything an employer could say or urge.

We were fair with our workers before they were unionized, we thought. And we were generous. But we were not fair or generous in an arrangement to which they were voluntary parties; it was only in a way of our own choosing. In other words we were paternalistic. And paternalism may be generous, which is easy, but it often does not succeed in being just, which is hard.

In this connection it is interesting that in one of our five plants there is no union.

At this plant the men voted on the question of setting up a union arrangement such as we have in Wisconsin Rapids, and the vote was 75-25 against it. Our men here asked us whether, since we found the union method so satisfactory, we would not help them unionize the other plant. To this our answer was that the other mill was in a district not yet unionized and that we would be unfair to other employers if we deliberately brought in a union. Besides, if the men there did not want a union the union method would not work as well as the plant committee now in effect. It would be unsuccessful for the same reason that our pre-union paternalism was only partly successful here.

One thing we do not do is to tell workmen that their interests and ours are common interests. They are not common. They are opposed. It is true that employers and men may have certain interests in common, as the quotation from John P. Burke's speech shows. Likewise a buyer and a seller have certain interests in common, but in themselves the interests of buyer and seller are opposed. But how does this philosophy work out in practice?

Said one of our union men to an inquiring visitor: "We've had some sweet arguments. We don't always win, and we don't always lose. The big thing is that the management is always ready to 'listen in.' And just you let some one from the management pass the word to the boys that some job needs a special rush and see how they all jump onto it."

It is true that the union men do not always win their arguments. And this is the biggest part of the answer to the employer who fears that when the union comes in, his business will be "run by outsiders."

Take the bugaboo of the seniority rule,

for instance: Must the oldest man in point of service always get the plum when a desirable job is vacant?

Suppose we have a machine tender's job to fill. Our joint labor agreement authorizes us to hire an outsider, provided no man in the mill is as competent as the outsider we would get. But we prefer not to go outside.

The men expect that we will promote the man next in line. But perhaps it is our judgment that the man next in line is not sufficiently competent. Very likely the disappointed man's representative will ask why the senior man did not get the job. If he fails to get satisfaction the case will probably be brought up by the grievance committee at its next meeting with the mill manager.

It is quite possible that Bill himself will be sitting in the meeting while his case is before the committee. At first our representative felt a natural hesitation about telling, in the man's presence, that we had withheld promotion because of his own incapacity. But experience taught us that the men prefer honesty above everything else.

But perhaps the most interesting part of the working out of this seniority question is the effect it has had on our own policies of training and promotion. Suppose that when we refused Bill promotion for lack of ability, Bill has been 15 years at his present job.

"But why," ask the union representatives, "did it take 15 years to find this out? Wouldn't it have been better to have had Bill on some job to which he was more suited?"

Of course it would have been better. But nowadays we are not likely to have any 15-year Bills. For, stimulated in large part by this practical view-point of the men themselves, we study a man's aptitude for the highest job on a machine

when we set him to work on the bottom-of-the ladder job. .

We try a man six months as a helper. And during these six months he is on trial for his ability to go up in the ranks of machine tenders just as much as for his qualities as a helper.

What this means to us in the development of a stable force of highly able operators, especially in this day when the quality of our paper is so important a factor, can readily be imagined.

Thus the seniority rule has in our case proved an asset rather than a liability. And it is the same with some of the other rules and agreements.

One of these is that no man can be discharged without having his case subject to review, at his complaint, by the grievance committee. There is no question that in the days before our union agreement, capable men were sometimes discharged by an irate foreman or superintendent for rather slight cause. Under the new arrangement we not only save good men for the company, but also have lost one or two superintendents who were, it now appears, good riddance.

But here again the rule has stimulated an improvement in our own procedures. Today we make no discharge without thorough study and thought. To our minds the discharge of a man is a serious reflection upon the employer himself. Time and careful thought in the selection of men; training foremen to take pride in the progress of their men; study and transfer of men who are not measuring up to what is expected of them; continuous effort to avoid injustice; with all these it should almost never be necessary to fire a man.

What this thorough respect for a man's right in the possession of his job means to us, is a thing no man can measure.

Surely, any man who is free from the fear that something may happen to take his job from him can accomplish more in his daily work than can the man who is haunted by such a fear.

In the fixing of wages we do experience some interference by outsiders. But so far we are none the worse for it.

The wage schedule asked each year by our paper-makers is decided upon at a meeting of the international union, which at the same time sets wage scales to be considered by union mills throughout the United States and Canada. Two years ago the union advocated a scale of wages which seemed to us to be based upon a fallacy. It proposed that men working at the largest and most modern paper machines should receive a higher wage than men tending machines of lower capacity.

So firm were we in our objection to this method that we refused to sign any contract embodying it. We told the union representatives that although we had been pleased with the results of our several years' dealing with them and should regret very much any termination of the experiment, still we could not see our way clear to signing such an agreement as they now proposed.

Apparently we had reached a deadlock.

But what one who has not dealt with the American Federation of Labor does not perhaps realize is the disposition of its leaders, in recent years, to be conciliatory. But in the end we reached a friendly and practical agreement.

In this instance the union men took a few days to talk and think about the problem. Then they came back to us. Their president admitted as frankly as I had done that they would regret any termination of our relationship. He also said, with surprising candor, that it would be impossible for him to call a strike in our plant. He was still convinced, however, that their

position on the wage matter was sound and that we would come to their viewpoint.

It was proposed, therefore, that the disputed wage scale be left out of the annual contract and that we take further time to investigate it. A special agreement on the wage scale could be signed later.

And it happened that when we did take further time to consider the new wage proposal, in our own way and under no pressure of personality or of time, we completely changed our mind about the "fallacy" of paying more for work at the larger machines. We realized, for instance, that what our men are really paid for is to keep the machines going without interruption. The greater the output of a machine, the more serious is an interruption and therefore the heavier the responsibility of the operators.

We found, in short, another indication of a fact we had already observed, namely, that the union men of today pick unusually intelligent and forward-looking men as their leaders.

Recently the foresightedness of the union leaders has been evidenced in their attention to business conditions in the paper industry. The paper industry of America is at present overbuilt. There is an excess capacity of at least 15%. This condition has called forth all the ability that we and other paper manufacturers have, to look ahead and safeguard our future. But I sometimes think the union leaders, who are close students of economics, saw what was coming before we did.

At any rate they recently asked us and our employees to "take our share" of lessened business. That is, instead of each mill fighting to keep 100% busy by cutting prices or sacrificing standards of quality, they would like to see each one running, let us say, 85% of its capacity, with

normal prices and improved quality. Similarly they would like to have each man in the mill take his share of the slack instead of seeing part of the men continuously employed and part of them out of work. In line with this policy our men suggested, last fall, that we shut down on Thanksgiving Day, which is not one of the holidays agreed upon in our contract.

In the long run this may not be the best possible method of meeting the great problem of how to make men secure in their jobs at a time when the jobs of some are threatened by current business conditions. On the other hand, it is at least a ~~method which is better than no method at all.~~ And it has the advantage both of being cooperative and of inspiring further cooperation.

In other phases of our relations with the unions, results have been satisfactory. No subject is too large, none too small to come up in our grievance committee meetings or our annual negotiations. But no matter what the subject, the discussions are marked by the utmost truth and sincerity, and give-and-take on both sides. We find the men very receptive to our undertakings toward economy, even when this means that fewer men will be employed; and very willing to modify their pet rules, such as not having non-union men come into the plant for construction work, when they see that a rule blocks the path of efficiency. The union organization, through its grievance committee, also helps us in management decisions because facts come out in our discussions that would otherwise be hidden.

For nine years now, our experiment with unions has been successful. It may not always be so. But so long as it is successful we shall, I imagine, continue to prefer dealing with unions to any alternative method.

MORRIS GREENBERG¹

Practical Pointers on Union Relations

Morris Greenberg is an American industrialist associated with Hart, Schaffner & Marx.

Up until the time of unionization in 1911, which came after a very bitter and bloody strike, there was nothing in the way of any relationship, any organized relationship, between the workers and the management. It was possible for Mr. Schaffner, for instance, who was a very high type of man, very cultivated and a truly educated gentleman in the real sense of the word, to say truthfully in 1911, in the course of the strike, at a public hearing as to the reasons and causes for the strike, that he did not know of the things that had been going on in his plant. It was not an evasion; it was not an alibi; he really didn't know.

The company operated at that time under a system where the superintendents were virtually independent contractors. It said to a superintendent, "Here is a factory, fully equipped. You manage it, and we will pay you a base wage, a salary of so much. We will meet all the payrolls, supply the work and the materials, etc. You get the help where and as you can and we will hold you to a cost of so much per unit. If your cost is better than that, you will get a bonus on such and such a scale." All the matters of hiring, firing, making of rates, changing of rates, were up to the superintendent. The firm neither knew nor cared. It was interested in one thing, that if it put in so many units to that

factory per unit of time, it wanted so many units out, and it didn't want those units to cost more than a certain amount.

After the strike and the unionization, there then developed, very slowly, a system of relationships. Of course, the formal development was very rapid, because it was instituted almost on the completion of unionization. There was set up arbitration machinery that provided for committees of workers and committees of the firm and so on and so on. But this was more a formal creation than a real one. The real machinery, the real meeting of minds developed very slowly.

HOW DID YOUR FOREMEN LIKE THE NEW ARRANGEMENT WITH THE UNION?

During the early years of the operation of our agreement the stumbling block lay right there. Our company kept on all its old foremen. These men suddenly had to take off their cloven hoofs and their tails and discard their pitchforks and put on the robes of angels—and they weren't too successful. It was a difficult change.

For the first few years Professor Earl Dean Howard administered the labor relations of our company. His job was largely that of educating and training the foremen. In a place as large as ours was then with as many ramifications employing as many people as it did that was possible only by his laying down rules. They were chiefly "Don'ts." A foreman may not do thus and so, unless he first gets permission from the labor department, or a foreman shouldn't say that and he shouldn't say this and if he did, he had to stand for the results. By that process of clubbing an education into their heads, they gradually learned.

I am afraid I will have to say they learned chiefly to do nothing. That is a bad way of putting it, but it is substantially correct. It took some time then be-

¹ Morris Greenberg, "Practical Pointers on Union Relations," *Personnel Journal*, December, 1938, pp. 206-11.

fore they began to reassert themselves and began to see that the "don'ts" needn't be interpreted too literally, needn't be an injunction to cease doing anything. Slowly they began to learn from trade board cases, examples, and from all sorts of instruction the right way to do things.

It would have been cruel and ungrateful to have taken all these supervisors, foremen and superintendents and thrown them out and taken new ones, but I think the company probably would have done better to have weeded out where it couldn't educate. Instead of clubbing some of these men into a state of mind where I think they were next to useless, if they had transferred those they couldn't educate they would have saved a lot of trouble. Of course, that is easier said than done too.

These men were very skillful, able men. It took such a man to have been able to operate under the old system, because he wasn't just an employee, he wasn't just a foreman, he was virtually an independent contractor, who had to do everything for himself in a big plant, and that took a pretty able, aggressive man.

But in the first few years, there is no doubt about it that the labor department of our company took all the heart and much of the guts out of these men. They had to do it because these foremen just couldn't remember, just couldn't realize that there had been a basic change. They wanted to cut piece rates again; they wanted to fire workers again; they wanted to go on doing all the things that *they* knew were right. It was a tough job. That is one of the first and most difficult jobs that confronts any company newly entering into union relations, the conversion of the foremen.

WHAT HAPPENED TO THE WORKERS WHO
DID NOT WANT TO JOIN THE UNION?

That was a problem that the union encountered. The union took over a thor-

oughly undisciplined mass of people, highly individualistic. The strike, as most strikes are, was organized and conducted and maintained by a minority, the most active, the most intelligent, the most aggressive group. That is what always happens. Many of the workers didn't understand where their interests lay and for a long time the foremen did their best to keep the groups divided and to keep them from joining the union.

When the contract was signed, all the membership didn't suddenly become union. All that happened was, the firm agreed to deal with this union for such of its employees as it represented, but nobody knew who it represented. The union didn't know and the firm didn't know. It took some time before all the workers came into the union; and that was a period of warfare and costly warfare.

It was a period of plotting and counterplotting and put up jobs on both sides and all sorts of monkey business, utterly silly, ridiculous, senseless and idiotic.

As we see it now this is the most shortsighted thing a management can do because during the whole time the people who are unionized spend the bulk of their time getting the rest in, looking for complaints, looking for things they can get for their members that the others won't get, to show those that are not in the union that it would be to their interest to join. When that issue becomes settled there is a chance for the growth of a decent, sensible point of view, and co-operative relations.

This is the experience of every man in personnel management who has had to deal with a partially organized plant, whether he has tried to keep the groups apart or not.

ERIC A. JOHNSTON¹

Labor and Management

Eric A. Johnston (1896-) was formerly president of the United States Chamber of Commerce. He is today president of the Motion Picture Producers Association.

This is a talk about labor and management and their place in meeting American human needs.

I remember a strike out my way in the West. The strike leader was a smart man. When the newspaper reporters asked him what all this labor trouble was about, he said:

"Labor trouble? There's no labor trouble. The employees in this plant are just having a little *management* trouble."

And he was right. That particular strike was management's fault.

Tonight, I'm going to mention plenty of bad practices by labor; and plenty by management also. I think we all ought to hit the sawdust trail together.

But, gentlemen of labor, I'll tell you something straight. Right now you have a priority at the mourners' bench. Right now you're just where we of management were ten years ago.

What a chance we in management missed! From 1921 to 1930 we had everything all our own way. A friendly administration in Washington. Low taxes. And a friendly public. And what did we do with our power? On the economic side we gave this country a balloon boom that had to burst. On the moral side we produced men like Insull and Hopson and Musica, who undermined confidence in business.

So what did we get? Beginning with

1933, we got the biggest public beating that any group of Americans ever took. Congress socked us with a new law just about every other day. It socked us with good laws. It socked us with bad laws. It socked those of us who were criminal. It socked those of us who were decent. Who cared? The public wanted us socked, and socked we were.

Gentlemen of labor, I must accuse you of not being very original. How faithfully you have imitated us of management! From 1933 to 1942 you rode high. You were tops. A friendly administration in Washington. All sorts of favors fed to you daily from the Washington political table. So what did you do with your power? On the economic side you gave yourselves a labor boom, regardless of the consequences to any other element in the population. On the moral side you produced men like Browne and Bioff and Scalise who gave all labor a black eye.

You forgot the very thing we forgot: It's just three jumps from the master bedroom to the dog-house.

Now the dog-house is yawning for you. The Federal Government and many of the State Governments are beginning to sock you with laws. Some of these laws may have too many teeth. Some of them may bite chunks out of good unions as well as out of bad unions. Who's going to care? If the public wants you socked, why, socked you will be.

And don't think that you can duck any of it by yelling "anti-labor" and "reactionary" and "Fascist." We didn't escape any blows coming our way by yelling "anti-business" and "bureaucrat" and "Communist." You can't stop hell with vocabulary. When the devil is after you the only recipe is repentance and good works.

So how about a few good works?

Let's take a look at seven deadly sins in a spirit of frank helpfulness and with full recognition that they do not apply to

¹Eric A. Johnston, "Labor and Management," *Bostonia*, April, 1944, pp. 65-68.

all unions and all management or at all times.

Sin One. Arbitrary refusals to accept workers into membership. This can be a most devastating sin. When a union has a closed shop contract, a refusal of membership means that the worker is deprived of his livelihood. That is intolerable. . . .

Gentlemen of management, monopolistic practices have helped to make us unpopular. Monopolistic practices are now helping to make organized labor unpopular. Gentlemen of labor and gentlemen of management, when we wash our hands, the right hand washes the left, and the left the right. How about a little joint hand-washing to cleanse both sets of hands of monopolistic practices? It wouldn't be a bad idea, in case you both want to get in right with the American people.

Sin Two. Arbitrary crushing fines imposed upon union members. Arbitrary suspensions from the union. Arbitrary expulsions. When the union has a closed shop contract or a union shop contract, the expulsion from the union means that the worker must be discharged by the employer. He loses his job. He and his wife and children lose their bread and butter. . . .

The parallel in management was when a firm in an industry felt free to throw other firms out of the industry by unfair competition. There were hundreds of forms of unfair competition, in advertising, in secret rebates, in preferential discounts, in pricing tricks in sales contracts. Don't tell me that such unfair competitive practices did not happen. The files of the Federal Trade Commission hold the evidence. But when they happen today, the law exacts a penalty.

Gentlemen of management and gentlemen of labor,—if you really want a free and fair America, you have got to go after it *together*.

Sin Three. Some unions do not hold regular meetings or regular conventions or regular and free and fair elections of officers. In such unions we often get union bosses who pay themselves big salaries and perquisites and who can't be dislodged.

And I have heard of top-flight corporation executives who by proxies and other devices get such a control of the meetings of their stockholders that they become corporation bosses who vote themselves big salaries and bonuses and who can't be dislodged.

The American people are against both of these evils. Union autocrats, corporation autocrats, political machine autocrats, are all of them contrary to American democracy.

Sin Four. Failure to make public proper financial accounts. . . .

I think that employees should know the truth about the firm for which they work. I think that the firm should know the truth about their employees' unions. I think that there can be mutual confidence between a firm and a union only when they come clean with each other. I hope to see the day when all firms and all unions will wholly abandon the sin of financial secrecy.

Sin Five. Too many strikes. Strikes called arbitrarily by dictatorial business agents. Strikes called without warning, even to the mass of the members of the union, at a meeting attended by a few hotheads. Strikes called for reasons that the strike leaders will not even disclose to the employer. Strikes called against employers who have nothing at all to do with the dispute. Jurisdictional strikes. . . .

I think that you should resolve on fewer strikes. And so should management.

A strike by a union is a withholding of *labor*. But there can also be a strike that is a withholding of *product*. When a corporation gets a new invention and declines to use it and declines to let any-

body else use it and thus withholds a product from the market, that's a strike. I'm for fewer strikes all around.

Sin Six. Violence on the picket line.

This sin is clearly seen by the public and makes unionism a host of enemies. But I want to be fair. There are three kinds of picket-line violence. First, violence by the pickets themselves, and plenty of it. Second, instances of violence in a dark past incited by thugs hired by employers to start trouble and make the strike unpopular. And, third, violence incited by "energetic" policemen who start cracking the skulls of pickets who are peaceful.

Nevertheless, gentlemen of labor, in this matter there is one reform that you can accomplish all by yourselves. . . . Stop mass picketing.

Sin Seven. From the economic point of view, this one is the worst. Restraints on production.

As developed in the rules of some unions, these restraints are called "feather-bedding," and "slow-downing." More men than are needed for the job. Each man doing less than he could do. Waste of man-power. Waste of human resources. It is a grievous wrong to the whole American economic system.

But there are two comments to be made on it.

In the first place, some enlightened unions have turned their backs on all this kind of thing and are earnestly helping their employers to increase output. They realize that if the workers are to have the good things of life, those things must be *produced* and produced more *abundantly*.

In the second place, some employers are themselves to blame. For what is the basic cause of "feather-bedding" and of "slow-downing" by workers? It is this:

The workers say to themselves—and they say it in non-union factories as well as in union factories:

"Listen! As soon as this job is finished, we're going to get laid off and thrown into the street. So let's go slow and make the job last."

Gentlemen of management,—*you* don't get laid off. You're part of what we call the "overhead" of a business. The "overhead" has to go on even between jobs in order to hold the business together.

But doesn't it occur to you that the worker also has an "overhead"? He has his family to hold together. He has to keep on paying the landlord and the grocer and the butcher. His costs don't stop just because he is laid off.

We have to have more job security in America.

We must strive to give our workers continuous employment, and, where that's impossible, we must develop a sane and sensible program for adequate unemployment insurance which will take care of the worker's "overhead" during his times of being laid off.

Then the unions must do their part. They must abolish rules that keep a man down to doing half a man's work. You can't build a strong America on half-men.

Gentlemen of labor,—in this matter as in the other six matters, I have mentioned, are you ready to do your part? Gentlemen of management,—in this matter as in the other six matters I have mentioned, are you ready to do *your* part?

I'd like to see a pact of non-aggression and mutual assistance between management and labor. You can't get rid of management and you can't get rid of unionism in a free country. Both are *social* economic facts. The right of labor to organize into unions is the legal right of American citizens. I calculate labor will exercise that right.

We of management, having gone through our dog-house, are still here. You of labor unions, when you've barked and

yowled your way through *your* dog-house, will still be here.

I admit that we of management might become more labor-minded. But I also think that you of labor might become more business-minded.

A basic need of business is profits. Without profits business cannot continue, cannot expand, cannot improve. Yet you are always running about Washington encouraging Congress to put the kind of taxes on us that would destroy our whole ability to make economic progress for America. If we are going to meet, we've got to meet halfway.

So, to summarize:

What about agreeing, more or less roughly, as follows?

We of management will try to repress monopolistic practices, unfair treatment of competitors, and business racketeers. You will try to repress monopolistic practices, unfair treatment of fellow-workers, and labor racketeers.

We will tell you the financial facts of life about *us*. You will tell us the financial facts of life about *you*.

We will try to reduce the number of our "strikes" which withhold inventions and products. You will try to reduce the number of your strikes which withhold labor and service.

We will try to give you the job security and basic income security. You will try to give a full honest day's work every day.

We will recognize you and refrain from trying to cripple you with unfair regulatory laws. But you will recognize us and refrain from trying to destroy us by unfair and ruinous laws.

The United States can be strong only by acts of popular free-will.

That is why I say in conclusion just two things to you of management and to you of labor.

One. Go ahead and turn this country

into a continuous brawl, and government will chain you both.

Two. Make a better choice. Work together and stay free.

H. L. NUNN¹

Some Criticisms of Management's Attitude towards Labor

H. L. Nunn is an American industrialist associated with the Nunn Bush Shoe Company.

I have a firm conviction that much of the ill will in industry between employee and employer is decidedly not due to a lack of understanding on the part of the worker, or to an unwillingness on his part to cooperate. I have attended many conferences of workers in my time and never yet have I found a group that was not willing to meet you half way and that would not react quickly to an attitude of unmistakable fairness. I am ashamed to say that I have been in many conferences with business men where the attitude was not one of wanting to be fair, but whether it was to one's advantage to accept the viewpoint that had been proposed. Frequently these men had lawyers at their sides to advise them how much they could get, not what was fair for them to get.

Greed and selfishness never manifest themselves in their grosser forms except in an impersonal way. The man who would not think for one moment of

¹ H. L. Nunn, "A New Concept by Capital of Labor's Relationship in Industry," *American Management Association Personnel Series*, No. 32, 1938, by permission of the American Management Association, New York, pp. 31-36.

cheating one he knew and associated with daily might think very little of cheating those with whom he never comes in direct contact; if that is true of the employee, it is also true of the employer, and in that fact we can find a basis for much thought.

THE SIN OF THE EXECUTIVE MIND

The answer is one which the heads of business do not like to admit. It is due to limitations of ability—to the fact that the human mind is prone to become the victim of habit. The sin, the inescapable shortcoming, of the executive mind is the habit of thinking of business in terms of figures and exercise of power, rather than in terms of men.

Man, as an individual, is usually kind, generous, and charitable. He so conducts himself in his daily contacts with his neighbors. But let this same man sit down at a desk with a lot of figures piled around him, isolated by responsibilities, interruptions, and detail from the men and women who make his organization, and he will be guilty of decisions which, in the abstract, seem just and fair but which, in practical effect, often exert an influence that can be interpreted only as selfish, greedy, and inhuman.

NECESSITY OF ALTERED CONCEPT

It is necessary that management change entirely its concept of labor's part in industry. Management must realize that labor deserves the same consideration as capital. Industry has not the right to consider solely the necessities of capital and to ignore entirely the needs of labor.

If democracy is a good thing in government, I see no reason why it is not a good thing also in industry.

Management should give up once and for all the right to make arbitrary decisions that affect so vitally the welfare of the human beings in the enterprise. It

must accept labor's right to a voice and a vote in every matter that vitally affects labor's welfare.

The theory of the old-time employer that he hires each man as an individual and expects to deal with him as an individual is, and should be, out of date. Such an employer shows lack of ability as a leader when he resorts to methods of coercion and places spies in his organization to seek out and discharge men who join in union activities. The moment a man's business becomes too big for him to review personally the grievances of each employee—the moment an employer finds it necessary to delegate to others authority over the workers who make up the business—at that moment the employee has an inalienable right also to appoint an agent to represent him and protect his interests. Of course, there are some executives who have never come in contact with the kind of unfair methods and arbitrary decisions that arouse workers to the necessity of collective action. But there are more unfairnesses and injustices in industry than one realizes, and the crying need of the day is that steps be taken to prevent them.

But the prevailing system by which workmen are managed often makes it impossible for an employee to get a hearing. They do not know how to appeal their cases. They are not trained in diplomacy, and their feeble efforts bring only a charge of insubordination.

I have some knowledge of what has been done in many organizations, particularly in the larger ones, toward the development of personnel departments, and I recognize the vast improvement this has meant toward the elimination of some of the wrongs I am discussing. But, paying due credit for this step in the right direction, let us admit that personnel men are limited in the good they can do. In most instances they can rely only on diplomacy

—finding it difficult to step beyond the line of departmental authority.

Any industrial system is seriously wrong which makes a foreman or supervisor account only for results and gives him absolute authority over the destinies of men who may be under his control. I condemn such a system not only on moral grounds, but also because I believe it to be poor management. There can be no industrial peace as long as man's economic security and very freedom are endangered through the arbitrary power of another man. Let industry stop treating labor as a commodity. Industry has no right to purchase labor in the same unfeeling manner in which it would purchase raw materials or supplies. Labor consists of men and women who assume the responsibility of families and who are expected to perform the duties of citizens. They should stand on an independent basis. I believe it is to the advantage not only of labor, but of industrial management, that labor have the security of collective action. I believe it is only through collective action that labor can be expected to deal co-operatively with management.

Too much emphasis is placed by management on the conservation of capital or saved-up labor, and too little on active labor, which is made up of the lives of men. Surplus earnings have gone almost entirely to capital, while active labor has been paid no more than the minimum price of the labor market. Active labor has realized very little of the benefits of surplus earnings or accumulated reserves.

When adversity comes, current labor is promptly separated from the payroll. In other words, management has been placing itself in the rather untenable position of asking the loyalty of labor during good times and then discarding labor as something extraneous to the business in times of depression.

When first faced with the problem of

labor relationships in our own growing organization, I realized that if we would avoid the danger of being dictated to, we must ourselves give up the right of dictation. Those who feel it their prerogative to dictate should realize that only when circumstances make men feel helpless or weak will they submit to dictation. Let circumstances change, let the weak become strong, and it is only human for those who have been under restraint to assume authority and dictate in turn. Unrestrained power can quickly become tyranny.

PATERNALISM

To meet the problem of employee relationships management has too often turned to paternalism as a cure. However, labor's dissatisfaction cannot be cured by picnics, medical aid and nurses, baskets for Thanksgiving, Christmas bonuses, or even by raising wages. This is not what labor is demanding—some of these things they do not want at all. Labor does not want paternalistic gestures. I have no patience with some people's ignorance on this subject.

You often hear it said that Mr. —, a prominent industrial leader, is such a wonderful man. He is good to his employees and all that. I would strongly recommend that you do not form a conclusion too quickly, but question some of the employees first as to how they look upon these things. Do they, for instance, have an opportunity to negotiate terms collectively with their employer so that their strength may be on an equal basis with his? Do they have the same right to state the wage they will work for as the man who employs them has to say what he will pay? Do they have a voice and a vote on whether a fellow worker should be discharged?

I am often asked what happens in our organization when the workers and the

management cannot agree. One would think there would have been at least several disagreements during almost a quarter of a century. But there has never been one. There was one case that involved a dispute between the employees themselves, but it was satisfactorily arbitrated. If another disagreement, of any nature, should arise, arbitration is the cure that has been provided. Why not? What has anyone to fear who is conscious in his own heart of wanting only what is right and fair? Yes, democracy in business is practical!

If management can put its own house in order and reject from its thinking the unfairness of arbitrary dictation, there is a big job ahead of it waiting to be done.

CYRUS EATON¹

A Capitalist Looks at Labor

Cyrus Eaton (1883-) is a Nova Scotia-born industrialist and banker of Cleveland, Ohio.

The one real threat to the capitalistic system in America today is the cleavage between capital and labor. Despite the wishful thinking of most of my fellow capitalists, labor alone is not to blame. An equal, if not a larger, share of responsibility rests on the shoulders of the capitalists themselves. . . .

The casualness with which we capitalists seem willing nay, even eager to invite the collapse of our economic system in almost every industrial dispute for the

sole purpose of thwarting labor is utterly incomprehensible. Labor not only produces the goods and consumes a large part of them; labor also has the votes. In a democracy like ours, where the majority rules, therefore, capitalism cannot survive without the support of labor. . . .

To avoid extinction, if for no loftier motive, we who are capitalists will have to make immediate and radical changes in our attitude toward labor and our methods of dealing with labor. We will have to begin by muzzling such organizations as the National Association of Manufacturers and by recognizing, and sincerely regretting, that there is bad feeling on both sides. For every corporation officer who characterizes a union official as a crook there is a labor leader willing to label an industrialist a bandit.

Our next step ought to be full and ungrudging acceptance of labor as human beings and as our partners who do the work. American management has exhibited the greatest genius in mass production and mass selling that the world has ever seen, but no automobile manufacturer ever thought of making denunciation of motorists the keynote of a sales campaign. On the other hand, many are the scathing statements that have been issued from the skyscrapers of Detroit against the United Automobile Workers.

Those statements and other anti-labor propaganda have received far more attention from the press and the radio than news of labor's constructive activities, simply because the proprietors of our agencies of publicity are capitalists, forming a strong community of interest with their industrial brethren. Any labor dispute, however inconsequential, is fair game for a front-page article, with an indignant headline.

There is no greater news value in the minor and natural differences of opinion between employer and employee than there

¹ Cyrus Eaton, "A Capitalist Looks at Labor" (Labor Relations and Labor Law: A Symposium), *The University of Chicago Law Review*, Vol. XIV, No. 3, (April, 1947), pp. 332, 333-34, 335-36. Used by permission.

is in the ordinary disagreements within the family, the church, or any other human institution. The press devotes less space to the trifling infelicities of these other institutions, perhaps, because it is not out to destroy them. I am a firm believer in freedom of the press, but certainly freedom of the press becomes a downright menace to society when misused in this manner.

One of the worst sins committed by our corporations is entrusting the handling of labor relations to lawyers. The lawyer's whole outlook is colored by his constant searching of statutes and his intensive training in the artificialities of courtroom procedure. So far as I know, no appeal to the courts and no amount of flyspecking of statutes for technicalities to prove labor in the wrong ever settled a strike. Labor relations are human relations; they require the human, not the legal, approach.

For similar reasons, there can be nothing but criticism for the capitalists who have lately taken to running to Washington like crybabies for help from the politicians and the bureaucrats in suppressing labor. The whole story of governmental interference in business is foreign to free enterprise. And government, whether it be the executive branch, the legislative or, of course, the judicial, is loaded with lawyers. . . .

One of our peculiar national traits is a pathetic eagerness to believe that passage of a law will solve any problem we have. Let no business man be naive enough to believe, however, that restrictive legislation will be any more effective in bringing about industrial harmony than the Volstead Act was in discouraging drinking. Let it be recalled that the elaborate law that was passed to strengthen the transportation industry resulted in the establishment of the Interstate Commerce Commission, the biggest bureaucracy of them

all, which has brought every known woe to the railroads. Bureaucracy in America is a failure; there are so many better opportunities in business and the professions that the regulatory agencies of the government simply cannot compete for the best brains.

WHY NOT DEAL DIRECTLY WITH LABOR?

The only recourse we capitalists have, if we want to preserve our system, is to deal directly with labor ourselves. The mine owners, for instance, would find John L. Lewis the most constructive man in the coal industry if they would sit down and exchange ideas with him, instead of persistently refusing to let him play a more constructive role lest his influence increase.

Among my warm friends are a number of labor leaders. They are very able and attractive men. In common with the rest of humanity, they have ambition and pride. We capitalists are overlooking a great reservoir of talent by not inviting these men onto the boards of directors of our corporations and the boards of trustees of our universities and other public institutions.

It is true that the leaders of labor have risen from humble beginnings to their present positions of influence by hard work, but so have many of America's most eminent industrial leaders. And while the descendants of the industrial pioneers are disporting themselves at cocktail parties, the horny-handed sons of toil are hard at it to represent their union constituencies with first-class talent of every kind. Their corps of workers and thinkers include experts in law, economics, research, politics, and publicity. Philip Murray, the skilled leader of the CIO, has assembled an organization that compares favorably with the best that business can boast. The AFL and the Railroad Brotherhoods, likewise,

are staffed with earnest and competent men.

This is not to say that labor is perfect, any more than management is. Labor is guilty of many abuses. The one that calls for the strongest criticism is the small production per man in some industries in comparison to the output that could be achieved. It is difficult to berate labor for demanding more pay for less work, however, while many corporation officials who devote half of their time to golf, vote themselves enormous "incentive" bonuses at the expense of their stockholders.

The classical example of managerial folly is found in one especially vain and strutting corporation head who some years ago announced that he would retire from business before he would let his plants be organized. He wasted twenty million dollars of his stockholders' money in a futile fight against a strike for union recognition. Having spearheaded the attack on labor, he expected his fellow industrialists to reward his company with more business, but found that they placed their orders with other concerns whose more dependable labor relations assured better delivery. Needless to say, he failed to keep his promise to retire, and, although business fell off, he and his fellow executives—none an owner of more than a nominal amount of stock—continued to pay themselves fancy salaries while giving the stockholders only a meager return on their investment. The only tangible result of his whole performance has been an occasional word of praise from Westbrook Pegler.

Such extreme cases are the exception, but they do capitalism untold harm. The men at the top may think that they are omniscient, and that their system is omnipotent in that, of itself, it can confer on humanity all of the material blessings. But both capitalism and the men in it have all the weaknesses and limitations that have racked every system. economic,

political, and religious, devised by man during his millions of years of martyrdom. What counts in any system is the intelligence, self control, conscience, and energy of the individual.

I prefer capitalism and democracy to all other economic and political forms. I believe they will only survive as long as their leaders set an example of hard work and restraint toward those who are less well off. It is the job of capital to convince labor of the dignity and glory of the strenuous life. Hard work appeals to me as the only sure way to happiness, health, and good morals, for rich and poor, high and low alike. There is no spiritual reward to equal the one that comes from a good day's work, well done.

CLARK KERR¹

Employer Policies in Industrial Relations, 1945-47

THE OPPORTUNITY

The important decisions in industrial relations, after World War II, were those to be made by management. Management was in a favorable position to effectuate its decisions, and, equally important, it had so many alternatives from among which to choose. The conjunction of these circumstances placed top management representatives in a position to make history. These decisions of management were bound to be tested. The initial test was whether they could successfully be trans-

¹ Clark Kerr, "Employer Policies in Industrial Relations," *Yearbook of American Labor*, Vol. II, ed. by Colston E. Warne, to be published by Remsen Press, New York, 1948.

lated into actualities. The delayed test, from management's point of view, was whether the decisions, if effectuated, would contribute to the ultimate survival of management prerogatives and power—both in economic and political spheres. Consequently, an examination of employers' policies toward organized labor during the brief period of 1945-47 directs attention toward one of the crucial contemporary factors in shaping the future of management-union relations in the United States.

Management on V-J day was clearly in the key position. The crusading reform days of the New Deal were gone. Prosperity and the success of the crusade itself had stilled the pressures for liberal changes. . . .

By the end of the war, the depression-engendered political situation had changed. The leadership of the liberal forces was no longer so dynamic and again it was demonstrated that the responsibility of administration carries with it the necessity of making enemies.

Organized labor, at the same time, was in a debilitated public position. Wartime excesses, particularly of the strategically situated coal miners, had angered the public. The postwar intensity of strikes in the winter of 1945-46 further weakened the position of the unions. Regardless of ultimate responsibility, the public condemned the group which took the overt action of withdrawing production. Public dissatisfaction was cumulative. The substantial shift in power from management to organized workers during the prior decade had alarmed many as to its ultimate implications. Internecine fights and utilization of undemocratic and nonpeaceful techniques, even if not practiced by the majority, served to condemn the whole movement in the public eye.

A body politic is essentially a conservative phenomenon, except when under great stress. A desire for "normalcy" is

not limited only to postwar periods. The body politic is unhappy with constant and rapid change, and the labor movement was the source of the greatest continuing internal threat to normalcy.

Full employment, so avidly advanced by organized labor as a social objective, is not an unmixed blessing. The strength of the labor movement responds not only to the swings of the business cycle, but also to changes in the complexion of federal politics. Membership, with a lag, follows the cycle; and thus the economic power of the unions tends to follow also. Political influence, however, follows the federal elections. Elections, with a lag, tend to follow the cycle also—but the effect on labor is inverse. Liberal regimes tend to ride in on a depression; conservative ones on prosperity. Thus, from organized labor's point of view, full employment has its economic advantages and political disadvantages. . . .

Looked at from the industrial relations arena, management benefits most from just such a combination as existed after World War II. Politically, the trend was conservative, but prosperity continued the economic good health of business. Business was as politically and economically secure as it could well hope to be in an uncertain world. If this was the best combination for management, it was not at the same time the worst combination for labor. Labor had a relatively favorable economic but relatively unfavorable political environment. Reversal of prosperity into depression with a conservative Congress continuing, would have been less advantageous. Among the real determinants of the future course of industrial relations would be the direction and timing of the next economic and political swings.

Management in 1945-47 enjoyed a good reputation, good business conditions, and a favorable political milieu. Organized labor was favored only by the volume of

jobs—and members. Management was in the better position to translate its determinations into action.

Management also had the choices to make. Labor had little soul-searching to do. Its program after the war was a continuation substantially of the *status quo* economically and politically. Its problem was chiefly one of tactics—how to preserve its strength and the income of its members. Management, however, had to be concerned with strategy. It was on the offensive for the first time in a decade and a half. During this past period it had thought largely in defensive terms—how to protect itself against further inroads. Now the initiative was with it and it had to decide in which direction, or directions, to exercise it. The alternatives were many and the stakes high.

The public was not unconcerned with industrial relations problems in the early postwar years; nor were management and the unions unconcerned with the public, though more as voters than as consumers. But the public had no program of its own. It had at best a vague desire to curb strikes and some of the widely publicized abuses of unionism. The public, however, was most important as the ultimate arbiter through ownership of the vote. It could control the composition of Congress, and this was one of the crucial factors. Therefore the struggle for the allegiance of the public was vigorously waged.

THE ALTERNATIVES

Management, since 1932, had been under greater attack and yielded more ground than ever before in American history. Incursions into the traditional fields of management sovereignty had been made alike by government and unions. The transfer of power from the business manager to the bureaucrat and the business agent had been considerable, although the residue in the hands of management re-

mained substantial. Unions, for example, shared or controlled decisions over firing, hiring, promotions, technological change and speed of work in large segments of the economy. This transfer of power was not accompanied by a concomitant transfer of income, though income at least potentially was also threatened.

The prime goal of management in its relations with unions has been the preservation or recovery of power and income. . . .

Efforts to alter the location of economic and political power in the union-management relationship were the prime source of the bitterest controversy. The conflicts over management prerogatives, union security provisions, the organization of foremen, the use of the strike weapon, the employment of devices by the unions for influencing elections, among others, were more basic, and less subject to compromise, than those over wages, particularly from the point of view of union and management leadership. The union members or company stockholders may have been equally or more concerned with income distribution than with the location of power. The union, as an institution, and the corporation, as an institution, as distinct from their respective memberships, however, were concerned primarily with problems of sovereignty. . . .

a. The National Association of Manufacturers. The National Association of Manufacturers is the most influential ideological holding company for American industry. It is not an "employers' association" in the sense that it participates in collective bargaining. It serves rather as a policy-making organization, at the peak level, for industry. While vitally concerned with labor policy, this is not its only interest. . . .

The basic program of the NAM was enunciated at its 51st Congress of American Industry meeting in New York City

in December, 1946. The rationale of that program was set forth by Clarence B. Randall, national vice-president of the NAM in part as follows:

"That we have no federal labor policy must now be self-evident to every citizen of the United States. But that thoughtful citizens throughout the nation now demand that there be one is equally beyond question.

"Clearly we in the National Association of Manufacturers should fail in the leadership which is rightfully ours if we did not on this significant occasion address ourselves in forthright fashion to this most important domestic issue.

"Mindful, however, of the quality of responsibility which flows from leadership, we shall not propose to the American people a specific program of legislation. We do not seek a labor policy that shall serve the special interests of manufacturers. . . .

"Save in War the United States has never before faced a force so malignant, so surely poised to bring destruction to our whole economic structure as the monopoly power presently possessed and freely used by the great labor organizations. To ignore that sinister fact in forming a new federal labor policy would be to declare once more that we shall have no policy."

The nine point program adopted by the Board of Directors of the NAM in December 1946 has been stated in a previous selection on pp. 287-88.

In recommendations to Congress, the NAM made several specific proposals. (1) It suggested that a variety of strikes be outlawed: strikes in violation of an existing contract; jurisdictional and sympathy strikes; strikes against the government or to force recognition of an uncertified union; strikes where the union had failed to bargain in good faith, or where the employer's latest offer had not been voted

down by the employees; and strikes accompanied by mass picketing or other forms of violence or coercion. (2) It was further proposed that government refuse to intervene in any labor dispute except by providing conciliators.

(3) Industry-wide bargaining and industry-wide strikes were to be banned. Further it was suggested that it be made "illegal for employees of two or more companies to conspire, through a union or unions, to fix the price of their labor . . ." (4) The closed shop and "every other form of compulsory union membership" was to be outlawed.

Ira Mosher, speaking as "authorized spokesman of the NAM, "in a statement before the Senate Committee on Education and Labor on February 15, 1947, added several additional proposals. (5) It was suggested that the affirmative obligation be placed upon both management and labor to bargain in good faith. (6) Both parties should be required by law to abide by their contracts. (7) Employers should be allowed full freedom of speech in voicing their viewpoints about unions and union affairs. (8) All resort to force, coercion and intimidation should be banned. (9) "Employers should not be required to bargain collectively with foremen or other representatives of management." (10) A further specific suggestion was added in a subsequent appearance before the House Committee on Education and Labor on March 7, 1947, and this was that restrictions placed on the issuance of injunctions by the Norris-LaGuardia Act should be eased. . . .

The policies of the NAM in the industrial relations field have been set forth in some detail because to a very large extent they became the policies of the nation during 1945-47. For the NAM saw its program largely translated into reality. The goals it set for itself were almost completely realized. The rains made marched

those of organized labor a decade before when, in roughly the same period of time, the National Labor Relations Act, the Social Security Act and the Fair Labor Standards Act were passed, real wages were increased, and collective bargaining, with its accompanying increase in the effective rights of labor, widely expanded.

The NAM supported the rapid removal of wartime government controls. They were removed. It favored a clarification of management prerogatives in employer-employee relationships, and many collective agreements were so written. It advocated the removal of wage-price controls. They were removed, and profits reached the highest levels in peace-time history. It advanced a program for federal control of the activities of organized labor. The Taft-Hartley Bill was enacted into law. All of these enhanced the power of industry and its income also, although the renovation of its power as against that of government and labor apparently was the primary objective. Even the removal of price controls had its effect on the enlargement of management's area of untrammelled decision, as well as on profits.

The executive vice-president of the NAM, Walter B. Weisenburger, after reviewing four relatively quiescent possible approaches for the organization, stated in 1946:

"None of these four approaches will do today. All of them are conceived to preserve the status quo. The big problem of the moment for America is to recover the status 'go.'"

The real choice for the NAM, as for organized labor or anyone else, was not whether there should be any government interference at all or not in economic affairs. The whole purpose of government is to interfere in one form or another. The question rather was in whose affairs, for what purpose and how much. The NAM was clear that it should not be in

the affairs of industry. The settlement by government of the usual type of strike over contract terms does interpose in the affairs of industry and so compulsory arbitration, along with other forms of intercession, was opposed. Industry-wide bargaining was condemned in part because it would lead to such government intercession.

Intervention in the affairs of organized labor was not so strenuously opposed. On the contrary it was actively supported. Compulsory arbitration, so roundly condemned for the settlement of management-union controversies, was advocated for union-union controversies—the jurisdictional strike. Further, intervention to prevent industry-wide bargaining by unions was proposed in order to avoid, in part, intervention through compulsory arbitration. . . .

United States Chamber of Commerce. The United States Chamber of Commerce is a more diverse and decentralized organization than the NAM. It was founded in 1912 to represent "business as a whole, rather than industry specifically." It is a national federation with 2,500 local chambers of commerce, and represents "over a million outstanding firms, corporations and business men." Membership is drawn from a variety of fields, including manufacturing, wholesaling, retailing, construction, insurance, finance, transportation and agricultural production. Authority seems to be less concentrated in the national organization and more dispersed throughout the constituent local bodies than in the case of the NAM. Rather than representing the large industrial manager, the United States Chamber of Commerce is more the spokesman for the owners of medium-sized and small-scale business establishments in wholesaling, retailing, the service trades, and diversified manufacturing scattered throughout the nation. Its leadership is drawn largely from the

medium-sized rather than the large enterprises.

The United States Chamber of Commerce evidenced less concern with labor problems than the NAM. Rather than being one of several major emphases, it shared attention with such diverse subjects as education and national defense. The Chamber had a Committee on Labor Relations but it was not established until 1944, and until that time little notice had been accorded labor problems. This probably reflected the fact that its membership either had no dealings at all with organized labor, or was more likely to have made its peace with the unions. Typically, its members were more likely to deal with established AFL craft unions in the building, metal, printing, service and teaming trades, rather than with the newer mass organizations of the CIO in large-scale manufacturing industry.

The tone of the approach was as different as the emphasis placed on the subject. This was dramatically illustrated in the development of the "Charter for Industrial Peace." The Charter was first proposed by Eric Johnston, then President of the United States Chamber of Commerce. It was signed in March, 1945, by Johnston, Philip Murray, President of the CIO, and William Green, President of the AFL. It acknowledged that "labor has the right to organize and bargain collectively" and that "management has the inherent right to manage." It declared against unemployment and for "competitive capitalism." Significantly, Ira Mosher of the NAM declined to participate and criticized the Charter.

In explaining the Charter, Eric Johnston noted:

"Finally—and most importantly—the code contains a declaration against unnecessary and excessive government interference and restriction in the field of labor-management relations. The explicit pur-

pose is to encourage labor and management to settle their own problems without running to government or invoking political leverage. . . ."

The Chamber in May, 1946, adopted a set of "basic principles" relating to industrial relations which follow in part:

1. It is a self-evident fact that labor and management can only take out of production . . . an amount that is commensurate with the effort they jointly put into production. The welfare of each is dependent on the other.
2. We believe that individuals should be free to join or not to join labor organizations. Supervisory employees are a part of management and should be so recognized.
3. We believe in the principles of collective bargaining.
4. We believe that organized labor should be protected in its rights by laws which equally protect other citizens organized or unorganized. . . .
5. We are opposed to violence, intimidation and coercive methods on the part of labor or management. The public interest demands the outlawing of mass picketing and coercion in connection with labor disputes.
6. We believe in union responsibility for its acts, just as we believe in the same responsibility for the employer.
7. We believe that the best interests of all citizens of the United States are served by a minimum of regulative legislation regarding employer-employee disputes and by a maximum of free collective or individual bargaining within the framework of the Bill of Rights, the Constitution of the United States, and those general laws which protect all citizens irrespective of their personal status.
8. We believe that equitable administration of labor laws, combined with a spirit of mutual understanding and fair

play, would correct some of the present difficulties in the field of labor relations.

9. For situations which cannot be so corrected, we favor immediate legal changes to aid in bringing about more stable and more equitable relations whether this means amendments to existing laws, new legislation, or repeal of existing laws.

10. The interests and rights of the consumer and the public in the continuity of production of goods and services must not be subordinated in disputes of labor and management or in disputes between or within labor unions.

It was further stated:

"Industrial peace and good will between employer and employees are found only when there is mutual respect and genuine acceptance of their respective rights and prerogatives. Employers wholeheartedly should subscribe to the right of employees to organize voluntarily and to bargain collectively. Employees should recognize that full and efficient production requires freedom for management to operate without the assumption of managerial functions by representatives of employees. . . .

"Through the full utilization of self-government in the employer-employee relationship, resort to law regulating such matters should be held to a minimum."

The Chamber of Commerce did not participate, as did the NAM, in a large-scale campaign for federal legislation. It did, however, advance the need for new legislation.

Herman W. Steinkraus, Chairman of the Labor Relations Committee of the Chamber, appeared on behalf of the Chamber before the House Committee on Education and Labor on March 6, 1947. Mr. Steinkraus testified in part as follows:

"The United States Chamber holds that in the conduct of employer-employee relations, principal reliance should be placed upon the use of voluntary practices and

procedures to which the parties have subscribed. . . .

"We do not advocate punitive legislation, so-called. It is not our purpose to embarrass, harass and restrict labor in the exercise of their legitimate functions. . . ."

The emphasis was placed mainly on a revision of the National Labor Relations Act.

Many of the specific suggestions advanced by the NAM were also proposed, although not all of them, and some of those which were offered were in modified form.

In general the program of the Chamber was milder and less specific than that of the NAM, although it did include approval of the Taft-Hartley Act. It favored relatively less reliance on government intervention and relatively more on cooperative relationships with organized labor.

Committee for Economic Development. The Committee for Economic Development was established in 1942. Between 1942 and 1945 local committees were organized in 3,000 communities, and 70,000 businessmen served as members of these committees. Paul G. Hoffman, President of the Studebaker Corporation, was the first chairman of the Board of Trustees and continued as such in 1947. The leadership of the CED was largely drawn from among the more liberal elements in American industry, and from government and the universities.

The CED stated its purpose as follows:

"The Committee for Economic Development has a simple and a single objective. It is to promote sound thinking about our current and long range critical economic problems. Only upon that basis can constructive action be taken for the good of everybody. And what is best for everybody is best for business."

Its technique was a combination of research, conducted by academic personnel, and policy-formulation by CED members.

The CED was primarily an educational organization and did not lobby for legislative programs as did the NAM and Chamber of Commerce.

One area of interest was collective bargaining. A Special Policy Committee on Collective Bargaining was appointed in 1946. Eric Johnston, former President of the United States Chamber of Commerce, was Chairman. An Advisory Group was also appointed including several of the leading labor economists in the nation. A statement of policy was prepared entitled, Collective Bargaining: How to Make It More Effective. This statement was not an official statement of the organization in the sense that it was formally adopted, but rather set forth the views of those who participated in its development.

The report notes that "America cannot afford industrial strife" but "There is no royal road to industrial harmony." It states that "Legislation is not enough":

"There is need for new legislation to create mutual obligations for collective bargaining at all levels. But legislation, in and of itself, will not assure effective collective bargaining. Collective bargaining can work only with the acceptance by management and labor of their appropriate responsibilities. It can succeed only when both labor and management want it to succeed. It can flourish only in an atmosphere free from animosity or reprisal. There must be mutual eagerness to develop collective bargaining procedures and attitudes which will result in harmony and progress."

Certain suggestions were made for the conduct of collective bargaining by the parties. Both sides should have well-trained staffs delegated responsibility adequate to their tasks. The scope of collective bargaining, including management prerogatives, could not be defined legislatively, nor could it be uniform for all plants. It should be left to the parties to determine

"in their own particular situations." Recommendations were made for the successful negotiation and administration of collective agreements.

A "legislative framework" was also proposed with the following note:

"Some of the rules for effective collective bargaining must be laid down by government and should have legal status. What government does *not* do is as important as what it does. Government can support the principle of free collective bargaining by not interceding in the areas where collective bargaining should be relied upon to establish the terms of the labor-management contract. Interference by government in such areas undermines free collective bargaining and leads ultimately to the determination of contract terms by government edict."

The specific legislative proposals may be summarized as follows: (1) A strengthened mediation service. (2) Compulsory use of this mediation service for a ten day period prior to a strike or lockout. (3) Government supervised strike votes prior to strike action, requiring approval of strike action by a majority of the union members voting. (4) Compulsory arbitration of disputes over the application of an existing contract. (5) Exclusion of foremen from coverage of the National Labor Relations Act, although foremen should be given a greater voice in management decisions. (6) An outlawing of jurisdictional strikes. (7) A prohibition of strikes or other forceful action by a minority union to compel violation of the National Labor Relations Act. (8) Confinement of picketing to peaceful persuasion. (9) Application of the anti-trust laws to unions as well as industry. (10) Avoidance of compulsory arbitration over the terms of a new contract, with discretion left, however, to the mediation service to use fact-finding boards or other devices in emergency situations. (11) Revision of the

National Labor Relations Act to require unions also to bargain in good faith and to permit free speech to employers. (12) Establishment of a labor-management council to advise with the government on labor relations.

This legislative program suggested minor revisions in federal law and collective bargaining practice, as contrasted with the NAM proposals particularly with reference to union security provisions and industry-wide bargaining.

Other Proposals. Three further proposals, less representative of employer policies, at least in their formulation, were enunciated during the period under discussion and stood as additional alternatives before management and the public. . . . [These proposals are those of the National Planning Association, the Governor's Labor Management Committee of Massachusetts, and that of Cyrus Eaton, Cleveland Industrialist. Since these are quoted elsewhere in this volume they are not repeated here.]

THE EFFECTIVE CHOICE

The ideological spectrum on the employers' side spanned a wide range. At one end was the view that organized labor was a malignant force threatening to destroy the American system; and at the other the belief that labor was the last bulwark of capitalism.

It was noted earlier that choices were to be made as between reliance on eco-

nomic or political means, and as between cooperation and conflict with organized labor. Generally those most strenuously opposing labor were the strongest supporters of legislative enactment, and those arguing for cooperation were the most doubtful of the values of government intervention. This was undoubtedly because labor was weak politically and relatively strong economically. Employers wishing to attack labor were, therefore, wise to move on the political front. Those desiring cooperation were by the nature of their policies committed to eschewing severe legislative repressions.

Among the alternatives, the most effective choice on the legislative front was that of the NAM. The Taft-Hartley Act varied in only one major regard from the essentials of the NAM program. It did not include a ban on industry-wide bargaining.

The choice made was different than after World War I. Then the majority decision of large industry, led by the NAM, was to drive for the open shop, chiefly through direct conflict with the unions, and for the establishment of employee-representation plans. A postwar depression started in 1920 and labor was much weaker economically than in 1947. The means then was economic rather than political, and the goal the destruction of unions rather than the containment of them within prescribed boundaries.

10. Management Rights

THE TYPICAL trade agreement bears the mark of its origin. It is primarily a document which imposes obligations upon employers in order to secure rights to workers and unions. In the beginning it was, and probably it always will be, largely the written summary of those controls which workers and unions in their own interest have been able to establish over the decisions and acts of management. It was introduced as an instrument of regulation long before many of the employers with whom it was negotiated had ceased to hope for the elimination of the union. In many cases it was a treaty of peace following open warfare in which the immediate victor sought to formalize and extend into the future the concessions won. In relatively few cases was it the product of negotiations for a mutual-security pact by management and a union, both of whom had decided to adopt collective bargaining as the mode of operations and to establish through it a constitution setting forth their respective rights and obligations.

Experience with the trade agreement, however, raised many problems for management which supported the foreboding they had had in the beginning that their freedom of operation would be seriously impaired. Having consented to union participation in determining some of the rules and terms under which they were to operate, they found it necessary to safeguard their functions from the consequences of specific inhibitions they had accepted. Moreover, as experience with the agreement continued, many of them questioned why they should not utilize it to spell out rights they felt they had, but which were not actual because the employees or the union could avoid responsibility for observing them.

Much of the discussion about management rights is concerned with "restoring a balance," or "making unions responsible," or "curtailing the grab for power." It is carried on in a highly emotional atmosphere characteristic of a situation in which a defeat has been suffered or a victory gained. The period of open warfare between unions and management is too recent to make any other result likely. Reasonable people have few doubts, however, about the ultimate nature of relations between the parties if we are to have the measure of industrial peace essential to the survival of our form of economic society. The trade agreement must become realistically a two-way statement of rights and obligations. It is well to remember that rights for one party are established by the imposition of obligations on the other.

The enforcement of these obligations is possible in industrial relations, however, chiefly by the consent of those upon whom they rest. Just as unions would be poorly advised to run to the courts for the enforcement of every obligation to which management had subscribed, so management would serve its purpose poorly by relying upon outside agencies to enforce every obligation to which the union had subscribed. Unions, management, and workers have to live and work together. Those who must be members of the same team must ultimately assume that other members will discipline themselves in accordance with the obligations they have accepted. If they rely upon outside agencies, they establish a psychological barrier to effective teamwork which no statement of rights can reduce.

Yet the statement of rights and obligations in the trade agreement may clarify the issues both in negotiations which precede the agreement and in its administration. Progress is frequently possible once the issue is set down in black and white and both parties have agreed to its definition.

Management seeks definition of its rights chiefly in the spelling-out of the functions in which it has sole discretion, and in freeing itself from the threat of interrupted operations. The basic requirements of business and industrial organization which impel management to seek such rights have been set forth in Chapter 8. The selections in this chapter set forth some of the means by which employers seek to implement these rights through the trade agreement. The union's penetration into operations formerly reserved entirely to management is a pressing and continuing problem. In considering the desirability of the devices referred to in this chapter the reader will do well to review the selections in Chapter 8 describing the nature and structure of management and the selections in Chapters 5 and 6 describing the nature and structure of unions. How sound the definitions of management rights and union obligations to employers are will be tested by their success in integrating into a working enterprise these two dissimilar types of organizations in a way that enhances the strength of both and offers no major threat to their carrying on the functions necessary to their mutual survival.

THE RIGHT TO MANAGE

NATIONAL LABOR- MANAGEMENT CONFERENCE ¹

Management's Right to Manage

To the Executive Committee: . . .

Gentlemen: Labor members of the Committee on Management's Right to Manage have been unwilling to agree on any listing of specific management functions. Management members of the committee conclude, therefore, that the labor members are convinced that the field of collective bargaining will, in all probability, continue to expand into the field of management.

The only possible end of such a philosophy would be joint management of enterprise. To this the management members naturally cannot agree. Management has functions that must not and cannot be compromised in the public interest. If labor disputes are to be minimized by "the genuine acceptance by organized labor of the functions and responsibilities of management to direct the operation of an enterprise," labor must agree that certain specific functions and responsibilities of management are not subject to collective bargaining.

In the absence of agreement, therefore, the management members of the committee herewith submit their report. (Signed) S. B. Grove, C. R. Hook, H. W. Prentis,

Jr., E. J. Robeson, Jr., C. O. Skinner, C. E. Wilson.

The Committee on Management's Right to Manage was charged with the consideration of the second topic on the agenda of the President's Labor-Management Conference which reads as follows:

The extent to which industrial disputes can be minimized by full and genuine acceptance by organized labor of the inherent right and responsibilities of management to direct the operation of an enterprise.

The committee has interpreted the meaning of the assignment to be: The extent to which industrial disputes can be minimized by full and genuine acceptance by organized labor of *the functions and responsibilities* of management to direct the operation of an enterprise.

During the Conference the Executive Committee gave this committee an additional assignment: the question of the unionization of foremen for collective bargaining.

The National Labor Relations Act requires collective bargaining "in respect to rates of pay, wages, hours of employment, or other conditions of employment," where "employees" have elected to bargain collectively. It is, therefore, an obligation of management to adhere strictly to the provisions of this act.

¹ United States Department of Labor, Division of Labor Standards, *The President's National Labor-Management Conference, November 5-30, 1945*, Bulletin No. 77, Washington, D. C., 1946, pp. 56-62.

It likewise should be an obligation on the part of unions to recognize, and not encroach upon, the functions and responsibilities of management. Failure to accept this obligation has increased labor disputes. Even today, efforts are continuing on the part of certain unions to extend the scope of collective bargaining to include matters

and functions which are clearly the responsibility of management. The functions of management must be preserved if American business is to continue to be progressive and efficient, create more good jobs, and further raise the general standard of living. Management must always exercise its functions with due regard to its social responsibility.

FUNCTIONS AND RESPONSIBILITIES OF MANAGEMENT

In order to clarify this problem, the committee has discussed many of the important functions of management involved in operating a business. The management members have classified some of them for the purpose of avoiding misunderstandings and minimizing industrial disputes. We have placed them in two classifications:

The first comprises those matters which are clearly the functions and responsibility of management and are not subject to collective bargaining.

The second comprises matters in respect to which it is the function and responsibility of management to make prompt initial decisions in order to insure the effective operation of the enterprise, but where the consequences of such actions or decisions are properly subject to review when they involve issues of alleged discrimination, affect wages, hours, working conditions, or agreed-upon management-labor practices. Such matters should be handled promptly under grievance procedures mutually agreed to as being appropriate for each specific item.

Illustrative of items which we believe belong in the first classification and which are not subject to collective bargaining are:

The determination of products to be manufactured or services to be rendered to customers by the enterprise; and the

location of the business, including the establishment of new units and the relocation or closing of old units. (When it becomes necessary to relocate a unit, or close an old unit, or transfer major operations between plants, management should give careful consideration to the impact of such moves on the employees involved, and discuss with them or their accredited representatives possible solutions for the resulting problems.)

The determination of the lay-out and equipment to be used in the business; the processes, techniques, methods, and means of manufacture and distribution; the materials to be used (subject to proper health and safety measures where dangerous materials are utilized) and the size and character of inventories.

The determination of financial policies; general accounting procedures—particularly the internal accounting necessary to make reports to the owners of the business and to government bodies requiring financial reports; prices of goods sold or services rendered to customers; and customer relations.

The determination of the management organization of each producing or distributing unit; and the selection of employees for promotion to supervisory and other managerial positions.

The determination of job content (this refers to establishing the duties required in the performance of any given job and not to wages); the determination of the size of the work force; the allocation and assignment of work to workers; determination of policies affecting the selection of employees; establishment of quality standards and judgment of workmanship required; and the maintenance of discipline and control and use of the plant property; the scheduling of operations and the number of shifts.

The determination of safety, health, and

property protection measures, where legal responsibility is involved.

The second classification comprises matters in respect to which it is the function and responsibility of management to make prompt initial decisions in order to insure the effective operation of the enterprise, but where the consequence of such actions or decisions are properly subject to review by grievance procedures mutually agreed to as being appropriate for each specific item. Among items illustrative of this classification are:

Discharge of employees for cause; the application of seniority provisions of contracts; penalties imposed as the result of disciplinary action; and such other matters as may be mutually agreed upon.

The management members of the committee recognize that the items listed in each of these classifications above do not include all of the subjects that may arise in connection with the negotiation or administration of any given collective bargaining contract. We believe, however, that genuine acceptance on labor's part of the above classification of these items would do much to define with reasonable accuracy an area of responsibility which must be left to management, if management is to function effectively in the interest of labor, the investor, and the consuming public alike.

UNIONIZATION OF FOREMEN

The management members of the committee recognize that various crafts, such as the building and printing trades, among others, have established practices over a long period of years which permit inclusion of foremen in collective bargaining units in accordance with union constitutions, and the following recommendations are not designed to alter such long-standing practices.

However, in any report on management

functions, the term "management" must be defined to include all levels of managerial and supervisory personnel and not confined to top ranking executive and administrative officials. Executive management cannot properly function and discharge its responsibilities without adequate assistance. It is therefore fundamental that there be no unionization of any part of management.

As a practical matter, supervisors organized for collective bargaining purposes would of necessity be faced with the problem of whether a particular decision or action would be serving the objectives of the union or carrying out the policies of management. The supervisors cannot properly function in a position of dual obligation.

To the foreman is delegated the ultimate responsibility of directing the workmen at the point where they are actually engaged in production. Since the foreman exercises managerial authority, he must be solely and exclusively responsible to higher management.

Furthermore, under collective bargaining agreements, the foreman usually makes the first management disposition of all grievances. With union foremen having supervision of union workmen, the foremen could not receive and act on grievances for the management, since it would mean the unions had taken over both sides of the bargaining table.

In requiring that employers bargain with foremen's unions whose members are the direct representatives and an integral part of management, either the National Labor Relations Board is misinterpreting the Wagner Act or the Act itself is inconsistent and contradictory.

The management members of the committee therefore urgently recommend that the term "employee" in the Wagner Act should be clearly defined, either by the

National Labor Relations Board or by Congress, to exclude all persons holding full-time managerial and supervisory positions.

Concluding this report, the management members of the Committee desire to express their appreciation for the candid, forthright and friendly attitude displayed by the labor members throughout the committee's deliberations.

STATEMENT OF LABOR MEMBERS OF
COMMITTEE II

November 28, 1945

AFL: Duffy, Durkin, Spradling
CIO: Carey, Golden, Townsend

The Committee on Management's Right to Manage is charged with the consideration of the second topic on the agenda of the President's Labor-Management Conference which reads as follows: "The extent to which industrial disputes can be minimized by full and genuine acceptance by organized labor of the inherent right and responsibilities of management to direct the operation of an enterprise."

The committee interprets the topic to be as follows: "The extent to which industrial disputes can be minimized by full and genuine acceptance by organized labor of *the functions and responsibilities* of management to direct the operation of an enterprise."

The National Labor Relations Act requires collective bargaining "in respect to rates of pay, wages, hours of employment, or other conditions of employment," where employees have elected to bargain collectively. It is, therefore, an obligation of management to adhere strictly to the provisions of this act.

The act also says: "Experience has proved that protection by law of the rights of employees to organize and bargain collectively safeguards commerce from injury,

impairment, or interruption, and promotes the flow of commerce by removing certain recognized sources of industrial strife and unrest, by encouraging practices fundamental to the friendly adjustment of industrial disputes arising out of differences as to wages, hours, or other working conditions, and by restoring equality of bargaining power between employers and employees."

The labor members of this committee recognize that there has been resistance by some managements to a full recognition of all the items that are properly the subject of collective bargaining. Also, during the past few years, efforts have been made by certain unions to extend the scope of collective bargaining to include other matters and operating problems involving the function of management to direct the operation of the business. The functions and responsibilities of management must be preserved if business and industry is to be efficient, progressive, and provide more good jobs.

The committee, for purposes of clarification, has earnestly endeavored to outline the area wherein the primary functions and responsibilities of management could be clearly and concisely defined; the area in which management has the function and responsibility to make prompt initial decisions in order to insure the effective operation of the enterprise but where the consequences of such decisions are properly subject to review and adjustment under established grievance adjustment procedures and finally that ~~area encompassing~~ matters that are clearly subjects for collective bargaining before final decisions can be made.

The extensive exploratory discussions of the committee have brought forth the wide variety of traditions, customs, and practices that have grown out of relationships between unions and management in

various industries over a long period of time.

Because of the complexities of these relationships, the labor members of the committee think it unwise to specify and classify the functions and responsibilities of management. Because of the insistence by management for such specification, the committee was unable to agree upon a joint report. To do so might well restrict the flexibility so necessary to efficient operation.

It would be extremely unwise to build a fence around the rights and responsibilities of management on the one hand and the unions on the other. The experience of many years shows that with the growth of mutual understanding the responsibilities of one of the parties today may well become the joint responsibility of both parties tomorrow.

We cannot have one sharply delimited area designated as management prerogatives and another equally sharply defined area of union prerogatives without either side constantly attempting to invade the forbidden territory, thus creating much unnecessary strife.

The labor members of the committee believe there is need for a more widespread realization and thorough understanding of the significance and importance of the management function in modern industry. In the main this will follow, rather than precede, the development of sound industrial relationships.

In our American political democracy the tradition is well established that government operates best when it enjoys the confidence and consent of the governed. In the same American tradition both labor and management must come to a realization that both can function most effectively when each enjoys the confidence and has the consent of the other.

The labor members of the committee believe that as acceptance of the role of labor organizations in our economic society progresses, so will come both clearer understanding and recognition of the importance of the management function together with a greater appreciation on the part of union members, investors-owners, and the whole managerial and supervisory organizations of the large responsibilities that go along with it.

Management and labor are both vitally concerned with full, regular, and efficient production. Each has functions to perform in the attainment of that common objective.

The labor members believe that we shall move forward toward the achievement of greater goals of national well-being to the degree that we concern ourselves with the education and broader understanding of both labor and management regarding the complexities of industrial and human relationships.

During the Conference, the Executive Committee gave this committee an additional assignment: "The question of the unionization of foremen for collective bargaining."

The labor members of the committee feel that it would be inappropriate for the committee to make any recommendations on the matter of unionization of foremen while cases involving this issue are pending before the National Labor Relations Board.

It is the opinion of the labor members of the committee that if the representatives of management and labor in each industry would confer on the functions of management and labor in the same friendly spirit as the committee approached the subject assigned, industrial disputes would be minimized, production increased, and the public interest well served.

LEE H. HILL¹

Management's Rights

Lee H. Hill (1899-) was formerly associated with Allis Chalmers Manufacturing Company and Industry Member of the National War Labor Board.

THE NATURE OF MANAGEMENT RIGHTS

From the legal standpoint, the rights of management are the rights of the employer which grow out of the employer-employee relationship and out of the employer's role as owner of the premises. As owner of the premises, the employer can determine who may go on those premises and under what conditions, and what restrictions will be imposed upon their conduct while on his premises. Out of the employer-employee relationship spring all the rights of the master-and-servant relationship as developed in common law.

Under the common law applicable to the relationship between an employer and his employees, an employer may operate his establishment as he chooses, except where his common-law rights have been limited by such statutes as the Fair Labor Standards Act, the National Labor Relations Act, state laws (such as those restricting the length of the workday or workweek for women and minors), and other applicable laws. Restrictions are further superimposed on the employer's rights by collective bargaining agreements. Hence all the employer's rights are not and cannot be recited in a collective bargaining agreement.

Management therefore does not need to look to the collective bargaining agreement

to determine what rights it has reserved to itself. Management should rather look to the agreement to determine what rights it has ceded away or agreed to share with the union.

Management's legal status as employer and as owner of the premises is not the sole reason for insistence on retaining its rights. Far more important than its legal status is its functional status as the coordinating force that operates an enterprise.

Management obviously is not the sole component of a successful enterprise. A manufacturing plant requires (1) men, (2) materials, (3) machines, (4) money, as well as management to allocate, direct, schedule and otherwise manipulate these four components to produce useful goods at a competitive cost, in order that they may be sold at a hoped-for profit for those who furnish the money to pay for the machines, materials, salaries and wages. Management is selected by the owners of the enterprise and is held responsible for its successful operation. To assert that management has the sole responsibility for the success of an enterprise is not a reflection on the importance of the other essential components. It is simply a statement of fact for that is management's reason for existence.

SPECIFIC MANAGEMENT RIGHTS

Considering management's rights from this functional viewpoint, just what are its rights and how do they affect the employer-employee relationship?

Certain of those rights are nearly universally accepted as being within the sphere of management and are seldom questioned because they usually do not directly affect the employees. These are:

1. Determination of policies governing finances, interest rates, loans, etc.
2. Determination of sales policies and organization, market areas, export sales, etc.

¹ Lee H. Hill, "Using Management's Rights in Day-to-Day Labor Relations," *American Management Association Personnel Series*, No. 82, 1944, by permission of the American Management Association, New York, pp. 11-13.

3. Selection of material, processes and products to be manufactured.
4. Location and structure of plants.
5. Selection of machine tools and their locations.
6. Determination of production schedules.

These management functions are seldom the subject of collective bargaining and are not involved in the day-to-day relationship between employees and management. There are other management functions and rights, however, which do immediately affect employees and are increasingly becoming subjects of collective bargaining. These management rights include the rights to hire, discharge, transfer, promote, discipline, train, secure deferments, grant leaves of absence, and determine employee classifications and merit wage increases. These are rights which management must retain, because the right to make decisions on these matters is essential if management is to discharge its responsibility creditably for the successful operation and perpetuation of the enterprise. In addition to the fact that management must have these rights in order to discharge its responsibilities, it is also well to bear in mind that management is usually best qualified by specific training and ability to exercise such rights.

LEE H. HILL
and CHARLES R. HOOK, JR.¹

Charles R. Hook, Jr., is an American industrialist, now associated with the Chesapeake and Ohio Railroad.

¹ By permission, from *Management at the Bargaining Table*, by Lee H. Hill and Charles R. Hook, Jr., copyright 1945, by McGraw-Hill Book Co., Inc., pp. 56-57, 58-61, 65-66, 67, 73.

Management Protective Clauses.

"Management prerogatives" is a fighting phrase. Many a passionate dispute, sometimes leading to work stoppages, has arisen from a difference in views as to whether the untrammelled exercise of this or that management function is a management prerogative. Management "prerogative" to the union representative is as distasteful as "closed shop" or "check-off" is to many a management representative.

The word "prerogative" has a harsh, arrogant, uncompromising connotation. It stems from the rights once exercised only by kings. It implies a peculiar or exclusive privilege.

Webster defines "prerogative" as meaning *a right to exercise a power or privilege in priority to, or to the exclusion of, others; especially, a right attached to an office or rank . . . as the "royal prerogative."*

It is this flavor of "royal prerogative" that makes it possible to confuse the issue. Union spokesmen charge that "management is prone to confuse principle with prejudice" and further charge that managements insist on management prerogatives to preserve their existing advantages, invoking their constitutional rights as a smoke screen for the protection of out-moded concepts of authority.

Management prerogatives do not refer to a divine right to manage. They do not refer to autocratic rights of the few to control the lives of the many. To put it very simply, management prerogatives are those rights, or that authority, which management must have in order successfully to carry out its function of managing the enterprise. This may be termed the functional, rather than the legal, view of management prerogatives and is more likely

to be accepted both by union negotiators and by employees. To emphasize this viewpoint, it is desirable to refer to management functions rather than management prerogatives, particularly in negotiations. Management thinking as well as management argument is likely to be sounder when management regards itself as being required to exercise certain functions in order to fulfill its responsibilities, rather than considers itself as being vested with inalienable prerogatives. . . .

The management protective clauses are those which serve to protect management in the normal execution of its functions. These include the definition of the bargaining unit, which should provide for excepting from the union agreement all supervisory employees and all others who may be considered as part of management. They may include a broad clause reserving to management rights not specifically given away by the agreement, reservation of managerial discretion in such matters as disciplinary measures, transfers, promotions, hiring, discharges, training, retention of probationary employees, layoff, ability, and occupational limitations in seniority clauses, limitation of matters subject to arbitration, sole managerial discretion of measures relating to selection of products to be manufactured, location of plant, planning of production and work efficiency, the right to assign work and to determine work methods and equipment and material used, etc., superseniority for management representatives temporarily relegated to production work, leaves of absence, and managerial determination of selective-service deferment matters. Properly considered as management protective clauses also are those which impose obligations on the union or employees.

Management should also be alert in the protection of its right to determine essential wage matters, on which the continuity of the business may depend. For example,

the initial classification of jobs, the rates and rate ranges for each classification, the number of labor grades, and the method of progression within grades and from grade to grade are all matters that should initially be determined by management, subject to negotiation when the contract is reopened.

In the interest of efficient operation, management should reserve the right, during the life of the agreement, to fix rates for new occupations or grades, to fix rates for changed jobs, to reclassify individuals in accordance with the nature of their work, to make merit increases within rate ranges, to promote or demote, to fix incentive rates on new or changed operations, and to apply or remove incentive systems from jobs.

These clauses are fundamental in reserving to management the authority that is essential to enable management to carry out the managerial functions. Union negotiators frequently seek to eliminate and limit these provisions. This is particularly true of those left-wing unions which seek to invade and share the field of management functions.

Demands that impinge on these management functions should be viewed with utmost seriousness by management and watched for with great care. They are the kind of thing on which management should take a positive stand in the interest of the welfare of the business and of the employees as a whole.

While these demands for sharing management functions when presented may be the subject of spirited debate, it is quite likely that union negotiators are much more interested in these provisions than are the employees themselves.

It has been said that collective bargaining is merely a process of determining how many rights or prerogatives shall be taken away from the employer. Collective bargaining is thus assumed to be the trans-

fer of authority from the employer to the union.

While there is a considerable element of truth in this line of thinking, collective bargaining is far from being a one-way street. Collective bargaining may also be used—and is used—to protect management by imposing obligations and responsibilities on the union and on the employees—obligations and responsibilities that they may not have aside from the collective-bargaining agreement. The contract may also be used to clarify and define management rights.

The clauses relating to union obligations and responsibilities may involve such matters as a requirement that the union refrain from intimidation or coercion of employees; an obligation to refrain from striking or other interference with production (reinforced by managerial right to discipline violators), a requirement that the union refrain from encouraging violation of discipline; a provision that the union refrain from the publication of false or misleading information concerning the employer; or that it will use good faith in the utilization of the grievance procedure and other union privileges.

These are the clauses that management wants for its own protection, particularly in cases in which the union's prior actions have demonstrated a need for them. Management demands for such clauses are invariably extremely unpopular with union negotiators. These clauses are likely to be of no particular concern to the employees themselves, in spite of the fact that some of them help to protect the interests of individual employees.

UNION DEVICES TO ATTACK MANAGEMENT RIGHTS

While management naturally considers that management rights are fundamental necessities without which management cannot manage, unions—and especially left-wing militant unions—consider man-

agement rights as obstacles to be overcome in order that the unions may have more freedom of action. This is due partly to the union leaders' desire for more power; partly to the unions' desire to be in a better strategical position in the settlement of grievances and in negotiations; and partly to the unions' feeling that management has been unwise, stubborn, or arbitrary in its exercise of management functions. When a union has carried a complaint to the top management level, only to be met with the statement that the matter in question is one that lies within the sole discretion of management and in this case management does not choose to grant the request (with or without stating reasons that appear acceptable to the union), there is a strong temptation on the part of the union at the next negotiation to try to deprive management of its right in that respect. And, all too often the union will seek to share—or at least to undermine—management's rights even though such rights may be essential to management if it is to manage the enterprise successfully.

Union negotiators have long ago learned that a frontal attack on management functions seldom meets with success and have developed four flanking maneuvers that have met with a considerable degree of success. This success is due to the fact that these four methods of approach appear on the surface to be reasonable, and the danger to management has not been perceived until too late. Some managements have unwisely traded such encroachments on management functions in exchange for denial of a wage raise, only to find that they had increased immediate profits at the cost of permanent loss of control of the business.

The four flanking maneuvers may be termed (1) mutual consent clauses; (2) joint committees of labor and management; (3) determination of promotions, etc., by seniority rather than managerial

discretion; and (4) unlimited arbitration.

Mutual-consent Clauses.—Some unions invade the sphere of management functions by demanding that certain decisions be made by "mutual consent." This is an innocent-sounding request, but it should be clearly pointed out that this means, in effect, *that management cannot make the decisions unless the union or the employee involved agrees to it.* The mutual-consent clause is a bargaining booby trap. . . .

Joint Committees.—Another device of the union to limit the rights of management is the creation of joint committees, with equal participation by management and the union and with certain well-defined authority. Under this arrangement, management can exercise certain functions only when and if the joint committee approves them. This is a type of mutual-consent proposition, but phrased in a little different way, and sometimes sounds more plausible to the employer.

The prevalence of Labor-management (Nelson) War Production Drive Committees may have blinded managements to the significance and danger of delegating management prerogatives to joint committees. It should be noted, however, that these labor-management committees have been designed to have purely *advisory* functions. As such, management is still free to accept or reject the recommendations of these committees. But when the *right to exercise a management function* is delegated to a joint committee, then the union acquires a veto power over management—a veto power that can be used for bargaining purposes under threat of blocking the exercise of the function involved. . . .

There is a tendency for the unions to press for the right to participate equally with management in the setting of incentive earnings. This is objectionable because it introduces endless controversy as to the

amount of incentive that should be offered in a specific case. . . .

Seniority.—A third device used by unions to limit the exercise of managerial discretion is the extension of seniority to such fields as shift and job assignment, promotion, wage increases, and transfer.

There is justification for giving weight to seniority as an important factor in cases of layoff and rehiring; there is justification also for considering length of service as one of several important factors in cases of shift and job assignment, and even in cases of transfers and promotions. But if seniority is resorted to as the determining factor in these fields, managerial discretion has abdicated from important fields that require sound judgment, and has been succeeded by mechanical succession which entirely neglects merit and ability. Employees themselves are likely to resent failure to promote the most able candidates when a position is open. There can be no doubt that the substitution of time serving rather than ability as a criterion in making promotions, especially to management positions, must inevitably result in the crippling of managerial effectiveness and efficiency. . . .

Wide-open Arbitration.—The fourth method of encroaching on the functions of management is to demand arbitration without limitation. If the union succeeds in making arbitration the terminal point of the contract, and if the powers of the arbitrator are not limited, if a grievance is not specifically defined, and if other protective measures are not used, management may find that it has transferred to a third person rights that it thought it had reserved for itself. It may even find that it has transferred to a third person the power to change the terms of a collectively bargained agreement.

While management strategy with respect to the first two devices—i.e., mutual consent and joint committees—is clear, since management may simply refuse to

agree to them, the methods of protecting itself against unwise arbitration are more difficult.

Management Rights Clause ¹

The union recognizes and agrees that there are certain functions and responsibilities of management which must be exercised solely by management and which are not subject to collective bargaining. The following items are illustrative of the type of management function and responsibility which is not subject to collective bargaining:

(a) The determination of products to be manufactured or services to be rendered to customers by the company; and the location of the business, including establishment of new units and the relocation or closing of existing units, provided such action shall not be taken in violation of employees' rights under the provision of the National Labor Relations Act.

(b) The determination of the layout and equipment to be used; the processes, technique, methods and means of manufacture and distribution; and the materials to be used and the sizes and the character of inventories.

(c) The determination of financial policies, general accounting procedures, advertising and promotion plans and expenditures, the prices of goods sold or services rendered to customers; and customer relationships.

(d) The determination of the management organization of the company and of its sub-divisions; and the selection of employees for promotion to supervisory or other managerial positions outside of the bargaining unit.

(e) The determination of the size of the work force; the allocation and assignment of work to workers; or policies affecting the selection of new employees, the establishment of quality standards and judgment of workmanship required; the control and use of plant property; and the scheduling of operations and the number of shifts.

(f) The determination of safety, health, and property protection measures with respect to such matters which involve the legal responsibility of the company.

The union and the company mutually recognize and agree that there are certain other functions and responsibilities of management with respect to which management must make prompt initial decisions and take action, but where the consequences of such action and decision are properly subject to review under the grievance procedure of this agreement when they involve issues of alleged discrimination, bad faith, or arbitrariness, or when they affect wages, hours, working conditions, or other conditions of employment pertaining to management-labor practices agreed to in this agreement. The following items illustrate the type of management functions and responsibilities which are subject to collective bargaining to the extent specifically set forth elsewhere in the agreement:

(a) The hiring, laying off, assigning, transferring, and promoting of employees and the determining of the starting and quitting time and of the number of hours to be worked, subject only to such regulations and restrictions governing the exercise of these functions as are expressly provided by this agreement.

(b) The disciplining and discharging of employees for just cause, subject to a prompt and fair hearing as provided in Section VII, Paragraph 35 of this agreement when the employee involved or the union believes that an injustice has been done.

¹ Contract between Armstrong Cork Company and Federal Labor Union, expiring April, 1947.

(c) The making of such rules and regulations not in conflict with this agreement as the company may from time to time deem best for the purpose of maintaining order, safety, and effective operation. The company may discipline or discharge employees for failure to comply with such rules and regulations, and the union may take up through the grievance procedure any cases alleged to be unfair or unjust.

E. J. KESSLER¹

Experience with Management Rights Clause

You may be interested to know that this was an experimental clause used in only one or two instances by the Company. Its

¹ Letter of October 7, 1947, to the editors from E. J. Kessler, Director of Labor Relations, Armstrong Cork Company.

use has not been extended to other plants of the Company and under present policy it will not be used. While no particular difficulty has flowed from the clause after it was placed in the particular contracts, experience has shown that its presentation for acceptance is invariably followed by an attempt on the part of the union to change or modify the clause. Negotiating with regard to subject matter which the employer is seeking to establish in the first instance as not bargainable is an untenable position. This is but one of the many objections to the use of such a comprehensive management clause in labor contracts.

The Management Rights Clause currently used in practically all of our labor contracts is substantially as follows:

"It is understood and agreed that all matters pertaining to the conduct and management of the Company's business are vested exclusively in the Company except as otherwise specifically provided for in this agreement."

UNION PARTICIPATION

MORRIS L. COOKE
and PHILIP MURRAY¹

Essentials in Administrative and Managerial Authority

Morris L. Cooke (1872-) is an outstanding industrial engineer. He was formerly Director of the Rural Electric

Administration and Executive Assistant to the United States War Shipping Board.

Philip Murray (1886-) is president of the United Steelworkers of America and of the CIO.

¹ Morris L. Cooke and Philip Murray, *Organized Labor and Production*, Harper & Brothers, New York, 1946, by permission of the publishers, pp. 84-85.

"Are you going to tell me how to run my business?" is the query with which many an employer has welcomed the committees of employees initiating the era of collective bargaining in the plant. This is not only an inauspicious note on which to start a significant new relationship, but it arouses doubt as to the employer's abil-

ity to forge his managerial techniques so as to get the maximum production by securing the full and combined heart, head and hand power of the employees. The question is based on a serious misconception of the nature of authority and a flagrant misunderstanding as to the real attitude of labor.

To relieve the boss or the management of proper responsibility for making a success of the enterprise is about the last thing any group of employees—organized or unorganized—would consider workable or even desirable. The unions are on record in numerous instances as recognizing that in the last analysis management has to manage, if any concern is to be a success financially or in any other way. This is well illustrated by a clause in the contract between the Steel Workers Organizing Committee and the United States Steel Corporation:

"The management of the works and the direction of the working forces, including the right to hire, suspend, or discharge for proper cause, or transfer, and the right to relieve employees from duty because of lack of work, or for other legitimate reasons is vested exclusively in the company, provided that this will not be used for purposes of discrimination against any member of the Union."

In other words, someone has to "run the business," to use a common American expression. As between unions and management, there is never any doubt as to where this responsibility should and actually does lie. Though labor organizations do not desire, and cannot be permitted if they should desire, to run the employer's business, it is equally a mistake to assume that an employer has no need for aid from his employees in matters of management.

JULIUS HOCHMAN¹

Union Job Control

Julius Hochman (1892-) is vice-president of the International Ladies Garment Workers Union AFL. He played an important part in the development of industrial relations in the garment trades of New York City.

PROMOTION

No one, I am sure, will challenge the assertion that the prime need of the industry in New York—indeed, throughout the country—is to increase its volume of business. We have the productive facilities for tremendous expansion. Most of the evils in the industry would certainly be alleviated, many perhaps eliminated altogether, in an expanding market. In a word, expansion is the key to our problem. . . .

On behalf of the union, I strongly recommend a soundly organized, carefully planned and adequately financed promotional campaign. We are impressed with the value of what our industry has to offer. We are certain that if and when our message is presented intelligently to the consumer, the door will be open to a period of expansion for our industry. . . .

As a beginning in this direction, our union recommends that a promotion campaign based on an expenditure of \$1,500,000 yearly, be considered by the industry. We suggest that \$1,000,000 of this sum be raised by the dress manufacturers, and

¹ Julius Hochman, *Industry Planning through Collective Bargaining* (A Program for Modernizing the New York Dress Industry as Presented in Conference with Employers on Behalf of the Joint Board of the Dressmakers' Union). Published by permission of Educational Department, International Ladies' Garment Workers' Union, New York, 1941, pp. 21, 23, 25, 29, 36-37.

that \$500,000 be raised by retailers, textile firms, accessory producers, real estate and banking interests whose welfare is affected by our industry.

To start such a campaign going, President David Dubinsky of the International Ladies' Garment Workers' Union, has authorized me to pledge a contribution of \$100,000 to the Dress Industry Promotion Fund, on the condition that the tag and label on each dress bear the imprint of the International's union label, and that the promotion campaign in its national advertising and other promotional schemes include the union label. . . .

COST ACCOUNTING AND BUDGETARY CONTROL

Cost accounting is the analytical study of the expense incurred in carrying on a business so that it may operate at a profit. This general definition, when applied to our industry, means that manufacturers must establish standard costs for each price range, based upon carefully prepared budgets, and standard allowances for materials and trimmings, direct labor, and overhead expenses. Constant comparison of actual cost for each of these items with the standards previously set up, gives the manufacturer an immediate check on whether or not his costs are in line. . . .

The union recommends the establishment of a department headed by an expert in the field of cost accounting and factory management, and manned by competent assistants. The purposes of this department would be:

1. *Planning:* To devise the best methods of planned production and study the possibilities of leveling out the seasonal peaks and valleys so as to render employment steadier. The plans so devised would be submitted to members of the industry, who would cooperate in every way in effectuating them.

2. *Cost Accounting:* To work out a proper system of cost accounting to fit the needs of every type of business in the industry; to furnish information about this system and to aid members of the industry in its installation.

3. *Management:* Using as a starting point the most efficient methods of management already employed in some shops, as described above, to continue to study and develop further improvements and gradually introduce them into our shops.

4. *Training for Management:* To establish a school of management under the supervision of this department. This school would preferably be located in the Central High School of Needle Trades or in a similar institution. A model shop with the latest equipment would be a part of this school. Regular classes would be held on the problems of management as applied to our industry. These classes would deal with production problems from the point of view of both production men and contractors. Efficient production men and contractors would be selected to cooperate with experts in the training program by presenting their points of view and conclusions based upon their own experience.

This proposal should give no offense to any production man or contractor in the industry, since we have found from experience that the more able the man, the more ready he is to learn new methods and absorb information from any reliable source.

5. *Jobber-Contractor Cooperation:* To study and develop a technique for closer cooperation between contractors and jobbers, and production men, for the purpose of making each jobber and his contractors an integrated unit for business planning and production.

OSCAR WEIGERT¹

Labor Participation in Industrial Management in Europe

Oscar Weigert (1886-) is a German-born economist, member of the United States Department of Labor for foreign labor conditions.

Throughout Europe today, labor is seeking broader participation in the management of industry. Such a movement began in several countries during World War I and was accentuated by the political developments in central and eastern Europe at its close. The Whitley councils in Great Britain and the works-council legislation of Austria, Germany, and Czechoslovakia belong to this period. Industrial and works councils were frequently effective in bettering employment conditions and promoting welfare measures, but their activities in the field of production remained extremely limited. Even their limited activities were so clearly opposed to the ideologies of nazism and fascism that they were immediately suspended in countries where regimes of this type arose.

At present, increased participation by labor in the management of industry is favored by a combination of economic and political factors. Realization is growing in Europe that the enormous task of reconstruction can be accomplished only by the coordinated efforts of all productive forces. Labor, moreover, has gained in status and influence in many countries by its contribution to the war effort and to the underground resistance. Therefore,

labor's demands for participation in the management of industry meet with success not only in countries which moved in this direction after the First World War—such as Great Britain, Czechoslovakia, Austria, and Germany—but also in countries which then kept aloof from such developments. The following survey gives evidence of this expansion in Sweden, Norway, France, Italy, Finland, Poland, and Hungary. In some other European countries—such as the Netherlands, Belgium, and Denmark—similar measures are under discussion, but are not sufficiently advanced to be included in this article.

In each of the countries covered, labor is authorized to participate in some way in the management of individual enterprises. For Great Britain, France, and parts of Germany such participation is reported also as concerning whole industries. The main means of labor participation within the individual enterprise is, in all countries, a body elected by all employees of the enterprise, usually called works council, but also works, factory, or production committee. In France, Sweden, Norway, and Finland, and predominantly also in Great Britain and Italy, these bodies are composed of both employer and employee representatives; in the eastern European countries and in Austria and Germany, management is not represented in the councils but is expected to cooperate with them. France and Norway, and in some cases also Great Britain, provide for a representation of foremen and other technical employees within the council.

Trade-unions and works councils are everywhere closely coordinated. Earlier rivalry between unions and councils has largely disappeared and the dominance of the unions seems clearly established.

In all countries studied, works-councils have additional functions, such as dealing with working conditions, terms of employment, or the social welfare of employees,

¹ Oscar Weigert, "Labor Participation in Industrial Management in European Countries," *Monthly Labor Review*, November, 1946, pp. 692, 693.

varying in extent and character from country to country. These functions are described here only as they are incidental to the general discussion.

The basis of labor participation is either a voluntary agreement between management and organized labor or a legislative requirement. Great Britain, Norway, and Sweden use the voluntary method while a majority of the countries on the European Continent require labor participation in industrial management. . . .

The scope and degree of labor participation in the management of individual establishments vary considerably from country to country, reflecting in part political differences. In some countries, labor participation is limited to certain aspects of the production process. In others, it

extends to many phases of industrial management, including decisions on production programs, pricing policies, and sometimes even sales policies. The degree of authority assigned to the labor groups varies from consultation and suggestion to day-to-day checks on managerial activities, and even to full participation in business planning and operation.

It is generally recognized that, in the period between the two wars, labor participation in management was of rather limited practical value, mainly because of labor's lack of experience in this field, and sometimes also lack of interest, and because of a hostile attitude on the part of management. It is impossible at the present time to forecast the final form and the results of the new developments. . . .

11. Management Organizations

IN INDUSTRIAL relations neither party wishes to be caught with the lesser artillery. Each side tries to amass the greater power, and if this is not possible a balance of power at least is sought. To have the lesser strength is to pave the way for a succession of defeats. Just as workers have organized to increase their force, so also have employers. Businessmen, however, have needed to be under a greater compulsion to organize formal employers' associations than workers to develop unions. ~~Traditions of individual action and consciousness of competitive antagonism have seemed more influential on businessmen.~~ Even when successfully organized, the problem of holding employers' associations together has been more difficult.

Individual employers, so long as they feel competent to conduct their industrial relations singly, have preferred to do so. They have combined principally when union strength has placed them at a disadvantage or potential disadvantage. The industrial giants in steel, autos, and meat packing, for example, have found their individual power adequate to the task, and they have not generally faced the unions in joint action. It has been more usually the medium-sized and small employers who have found needed protection in unity.

In return for the surrender of some sovereignty in the conduct of its affairs, an individual enterprise has received in return the assistance of its fellow employers. The employer has been called upon to surrender his "rights" not only to government and the union, but to his own association. This transfer of "rights" to the association has made it effective. In general, the greater the transfer of "rights" from the individual employer to the organization, the more powerful and decisive that organization has become. When this transfer has occurred without limit, the function of handling industrial relations is taken entirely away from the individual company.

Employers' associations have been almost as diverse as unions. They may be distinguished among other ways by their attitude toward labor organizations. This may vary from complete opposition to full acceptance of the union as a desired ally in a common cause. The historical trend has been away from opposition, though not always toward acceptance. The association perhaps more often tolerates the union out of necessity than welcomes it out of a conviction of mutual advantage. Associations may also be distinguished by location of sovereignty.

At one extreme is the very informal association, which is perhaps managed from a lawyer's office, and in which each employer has kept his autonomy. At the other extreme is the association which can fully commit the individual employer without consulting him. The organizations may be local, state, regional, or national, and unaffiliated or federated. Industrial coverage of associations has paralleled the major types among the unions. The industrial type has united employers who have in common a similar or related product or service. The craft type has brought together employers who hire the same or related categories of employees. The general type has amalgamated employers who deal with a union whose jurisdiction is not bounded by industry or craft lines. Further differentiation arises out of the various interests of associations, which may vary from industrial relations alone to a multitude of other concerns; and out of the varying unanimity with which the employers falling within the claimed jurisdiction have joined the association. By degree of reliance on political action or on economic force, and by stage of maturity of development, the employers' associations can be further distinguished from each other.

Not all employers' associations have been founded by employers. Some unions "organize the boss." This has aided them in negotiating and administering contracts. It may also serve to organize collusive action against the consumer. Such an employers' association is the counterpart of the company union. It has no organizational strength of its own but is dependent on the union for its existence. It is the "union association."

The characteristics of an employers' association, just as of a union, have reflected the milieu in which the organization was born and reared. The nature of the industry, the strength of the unions, the amount of co-operation or conflict with the unions, the size of the individual employers may each have been influential. Employers' associations have an impact on their members, the unions, the government, other employers, and other institutions and individuals. Responsibility has been less frequently demanded of them, however, than of the unions. This may be partly explained because they have stood essentially as defensive organizations seeking to preserve the existing distribution of income and power, rather than as offensive groups seeking to change it.

Judging by experience in Sweden and England, among other nations, and the current trends in the United States, the association of employers to bargain with unions will become increasingly common in American industrial relations.

Whether or not this development is inevitable, as the employers seek to match the strength of more powerful unions, its desirability has been a major question in industrial relations in recent years. Does the amalgamation of employers contribute to industrial peace or industrial warfare? Does it serve any public purpose?

Multiple employer bargaining is different from individual employer bargaining. No matter how slight, some sovereignty is usually transferred from the individual employer to the association to secure a single decision instead of a multiplicity of decisions. Not only does a single decision result, but this single decision

may be different from any of the several decisions which otherwise would have been separately made.

The general rationalization for the organization of employers is that it creates a balance of power between management and unions; that this balance of power means that neither labor nor industry can take unfair advantage of the other; that this balance serves as a guarantee of an equitable settlement and as an effective barrier to exploitation; and that the high costs of prolonged and inconclusive warfare between equally powerful antagonists is conducive to peace. Thus both the parties and the public are said to benefit. However, balance of power does not guarantee satisfactory industrial relations. That such balance will result from the organization of employers or, if once attained, will thereafter be preserved, is not assured. Nor is a balance between the parties, if sustained, sufficient. While balanced against each other, the parties may jointly outbalance the consumer or the small firm on the periphery. Organized employers and organized workers covering a competitive area may readily turn to collusive actions; or the large firms in an association may favor contractual relationships with the unions which will make it difficult for the smaller firms to survive. Thus some forms of peace may be more costly, when weighed on the scales of social welfare, than conflict.

Further, balance of power may not bring peace. It may aggravate conflict. As employer associations have become stronger, they have increasingly developed their own institutional characteristics apart from their constituents. The whole is more than the sum of the parts. Just as a separation may occur between the membership and the leadership of a union, so it may in the employers' association. As institutions, the associations develop their own separate needs and a desire to survive. Unfortunately here, as also on the union side, strength and survival sometimes have depended on the degree of conflict with the opposition. A foreign war, as in the days of Rome—provided it does not result in clear defeat—may make the organization more potent and the leadership more indispensable. When both employer and employee institutions develop vested interests in warfare, the prospects for peace become dimmer. As the scale of organization has grown, however, warfare has become more expensive, and this in many cases has outweighed the advantages of conflict for the sake of internal cohesion.

The greater the separation between the employers themselves and their association, the more likely warfare may become, since the cost of warfare is borne by the employers individually and not by the association as an institution staffed by paid personnel. Also, the absence of face-to-face dealing between the principals may encourage combative attitudes and ideological reactions as reports are relayed back and forth without the opportunity for personal reconciliation. On the other hand, a paid staff, on the employers' side, may provide a degree of impersonalized professionalization which contributes to an unemotional outlook on problems and thus to the prospects for peace.

If warfare and strikes, with their more intense public impact, when employers

are jointly associated, are increased, then it may be expected that government control of industrial relations will be widened and deepened. If peace is encouraged, so also will be voluntary collective bargaining.

The central questions are whether employers' associations will facilitate the development of more widespread strikes and a reduction of competition in the economic system, or will serve to equalize the bargaining power in industry where it is now inequal and increase the prospects of peace. No single uniformly valid answer can yet be given. It may thus become important to inquire, not whether employers' associations per se serve a beneficial social purpose, but under what circumstances they contribute to industrial peace with justice. In any event, an increasingly important element in industrial relations in recent years has been the expansion of employers' associations.

CLARENCE E. BONNETT¹

Employers' Associations

Clarence E. Bonnett (1885-) is professor of economics at Tulane University.

An employers' association is a group which is composed of or fostered and controlled by employers and seeks to promote the employers' interests in labor matters. It is therefore, on first view, to the employer what the trade union is to the employee. The highly formal superorganization of employers of modern times has been the result of the capitalistic evolution in industry, commerce and finance. This evolution has also made trade union organizations both complex and extensive, and accordingly the associations and the trade unions have had counteracting influences on each other. This counteraction, the heart of the modern labor problem, has not been parallel, however, and associ-

ations are not the exact counterparts of unions either in form or activities. Action and counteraction have resulted in the more efficient organization of employers to meet uninterruptedly and effectively the chronic problems arising out of the employment relation. Whatever socializing influences have developed have been incidental and subordinate to that purpose.

Employers' associations are not a new form of organization. A stone tablet which has been unearthed among the ruins of ancient Sardis shows not only that employers' associations existed in the building trades of that day but that they appealed to governmental authorities to restrain certain practices by the workmen. The craft guild of the Middle Ages ordinarily functioned as an employers' association not wholly unlike associations of master craftsmen in the building trades of our own times. In the United States the craft guild functioned as an employers' association in the colonies of Massachusetts, New York and Pennsylvania. Thus an association was formed to resist the demands of the ship carpenter sailors. The early conspiracy cases against labor organizations were instituted by the associations

¹ From Clarence E. Bonnett, "Employers' Associations," *Encyclopaedia of the Social Sciences*, copyright 1931 by The Macmillan Company, and used with their permission, Vol. V, pp. 509-14.

of master cordwainers, master carpenters, master tailors, master hatters and so on. The early associations employed methods suggestive of current practises; welfare work was promoted by the Employers' Central Executive Council shortly after its formation in 1873. . . .

The assumption that trade union organization has always preceded any organization by employers is unwarranted. Employers' associations are organized and function whenever a group of employers is convinced of the desirability of united action in dealing with labor questions. For instance, the desire for legislation which would fix wages and require seven-year apprenticeships, as subsequently enacted in colonial Massachusetts, may have been the primary motive for the formation of the master shoemakers in 1646. European craft guilds had long furnished abundant precedents for such legislation. More recently the opposition to labor laws led American employers in the textile industry of the South to organize, although their employees were wholly unorganized. In Japan, where the workers are practically unorganized, the employers have strong associations. It is true, however, that demands from a newly organized or rejuvenated union may cause employers to reorganize, especially to organize more formally than in the past.

An employers' association differs from other entrepreneurial organizations such as chambers of commerce, trade associations, exchanges and pools, which are organized to promote a different set of interests. Since in the United States, however, the line of functional demarcation is not always clear, an employers' association rarely remains simply pure and usually performs other functions incidentally. On the other hand, a chamber of commerce or any of the other commercial organizations may also function as an employers' association; it usually limits its activities

to propaganda for the employers' point of view, but in local affairs it may occasionally act as a local coordinating employers' association. . . .

At times an employers' association whose jurisdiction is limited to a handicraft trade, as, for instance, an organization of master plumbers, is called a trade association. Generally, however, a trade association has a larger scope, and where it concerns itself exclusively with the growth of the trade or commerce of its members and does not deal with labor matters it is not an employers' association. Even such an organization may take on the character of an employers' association—if, for instance, in attempting to improve the technical methods and equipment used in production by its members it should take up the matter of labor efficiency. A manufacturers' association which generally functions as an employers' association in such fields as legislation, politics and propaganda may be termed a trade association although its membership and purpose may be industrial rather than primarily commercial. . . .

TYPES OF EMPLOYERS' ASSOCIATIONS

There are many types and classifications of employers' associations. They may be classed according to jurisdiction as trade, industry and general associations. They may be formal or informal, depending upon whether the organization has a constitution, rules and a definite procedure; the formal are usually incorporated. Geographically, associations are local, state, district, national and even international. With regard to formal relations with other associations they may be classed as unaffiliated, affiliated and federated; federations may be pure or mixed and centralized or decentralized.

The different types of association make the movement seem more confusing and inconsistent than it really is in purpose

and operation. In the United States, where the association develops out of immediate problems and has no official status, although its representatives may in practise exercise great influence, there arises the greatest number of types. . . .

In contrast with most European associations, except those in France, the associations in the United States are not closely knit into federations, since they depend usually upon informal interrelations. Where federations do exist in the United States their decisions commonly have no binding effect upon the affiliated bodies, whereas in Europe the general federations in varying ranges of degree exercise considerable control. Although within national limits there are associations that are exceptions to the rule, the percentage of employers belonging to associations is generally greater in Europe than in the United States. . . .

On the basis of their attitude toward trade unions, associations may be classed as negotiatory, entering into trade agreements, or belligerent, offensively or defensively opposing union activities. A third and minor type is the mediatory association of which in the United States the National Civic Federation is an example; its aim is to induce employers and employers' associations to negotiate with trade unions. This classification also determines function and activities; from a functional point of view associations may be unrestricted or special; they may engage in propaganda, legislation, politics, welfare work, mediation, negotiation, conferences or in limited combinations of these. Thus the negotiatory association directs much of its energies into conferences with trade union officials, in formulating trade agreements and in adjusting disputes that arise between its members and their unionized employees. Negotiatory associations may also combine with trade unions to fix prices or control working conditions and

in functioning thus may promote extensive "racketeering." In case of a strike resulting from failure to adjust differences directly or through arbitration the formerly negotiatory association may take on many of the functions of a belligerent association.

The belligerent association may perform any or all of the following functions: It may combat strikes with the old methods or with a modern highly organized and efficient system. It may prosecute union leaders for the violation of injunctions it has instituted, also for boycotting and the like. It may oppose legislation sought by the unions and seek to counteract their political activities. It may conduct propaganda against unionism generally and union leaders specifically. It may make direct war upon the union label and the closed shop in every conceivable manner. It may foster rival independent employee or company unions to supplant or weaken trade unions. During strikes it may assist its members financially; in the United States reserve funds of the association are drawn upon for strike breaking expenses; the European associations, generally negotiatory, provide usually against industrial war periods by schemes of strike insurance. It may eliminate and keep unionists and agitators out of the association shops by means of employment bureaux, independent ("yellow dog") contracts with employees and intelligence corps (labor "spies"). It may suggest to the employer that employee stock ownership in his corporation would lessen agitation. It may promote welfare work. It may encourage and support numerous forms of industrial education with a view to training an adequate supply of non-union workmen. It may urge employers to install new machines and processes in their shops, thus depriving the union members of the strategic position that trade secrets and skill otherwise give; this procedure has

proved to be a most effective weapon against trade unionism.

In general the aim of all employers' associations is to preserve the institution of private property and to maintain conditions least likely to diminish the profits of the employer and his control over his business. Thus the negotiatory Building Trades Employers' Association of New York City sets forth as its purpose: "In all lawful ways to promote and protect the business interests of the members of the Association. . . ."

COMPARISON WITH EUROPEAN ASSOCIATIONS

Perhaps the most outstanding difference between European and American national organizations is that the latter are predominantly belligerent, while except in France and Finland the great national associations of Europe, which developed out of belligerent organizations, are now usually negotiatory. In the United States the great majority of trade agreements entered into by negotiatory associations are local—as a result not so much of the process of decentralization as of the transformation of national negotiatory associations into belligerent ones—but in Europe national associations for the purpose of conference with trade unions have extended beyond trade lines. Thus, for instance, in the National Alliance of Employers and Employed in England, a joint organization of trade unions and employers' associations, the following employers' associations are enrolled: Federation of British Industries, National Federation of Iron and Steel Manufacturers, Brass Founders' Employers' Association, Associated Chambers of Commerce, Incorporated Federated Association of Boot and Shoe Manufacturers, Central Landowners' Association and local associations. In Germany in 1924 the joint industrial association which was made up of representatives of associations and trade unions who had jointly signed

the "November agreement" was broken up with the abrogation of that agreement. The associations in Germany have generally remained negotiatory, but the agreements have been decentralized to trade, industry or district. A similar decentralization also took place in Denmark about the same time. The approval by the federation is, however, usually a requisite to the validity of the localized agreements. In Italy this is true without exception. In France collective bargaining by the associations is confined mainly to the printing trades.

European employers now generally accept formal group action even in legislative matters, while perhaps the great majority of employers in the United States believe that individual or informal group action is preferable. Negotiatory associations must necessarily enroll most of the would be competitors in order to function best. On the other hand, a high degree of organization of employers is most difficult in the highly competitive industries. Organization of employers over the competitive area is often indirectly encouraged for negotiatory purposes by trade unions. The belligerent employers' association is designed primarily to preserve the individualism of the employer in labor matters, and the enrollment of competitors is not so necessary to its success. A careful reading of the declaration of principles of the National Association of Manufacturers or of the National Metal Trades Association will show that they are concerned mainly with the rights of the employer to conduct his employment relations free from "outside interference."

Associations in Europe have attempted far more than those in the United States to enroll the small employer. In the United States therefore the average number of employees per member is much higher. Small manufacturers have been organized in separate associations abroad, notably in

France, Rumania and Denmark. Probably one of the most active associations of this type has been the federation of small manufacturers in the boot and shoe industry of France. France especially has developed associations of small employers because of the great extent of small scale enterprise there. In Denmark the small employers and their associations were brought into the general federation, but due to the post-war depression concessions to them in the matter of dues were necessary to prevent wholesale withdrawals. This resulted in the discontinuance of strike insurance by the Danish Employers' Federation and the adoption of reserve fund levies with very much restricted payments for strike relief. In these levies also special concessions to the small employers were made so that they paid proportionately less than other employers. The Swedish Employers' Federation has also had difficulty in retaining its small employer members. In contrast the belligerent Central Association of Finnish Employers eliminated the small employer by restricting membership to employers who used ten or more workers.

Whereas associations in Great Britain and Ireland, Germany, Italy, Denmark, Norway and Sweden include practically all the employers in the country and can thus commit the whole body of employers in any locality, trade or industry and even the entire nation to a particular course, almost the opposite is true in the United States. Here associations in very few trades, industries or even localities can boast of a membership of more than 80 percent of all eligible employers. Even the National Association of Manufacturers, the largest organization of its kind in the world, has enrolled only 5000 members, a very small percentage of the manufacturers of the United States. As a rule associations are more highly developed in the iron and steel industry than in any other industry, and the United States and Ger-

many probably lead in the extent of association in this industry. Nevertheless, in the United States there are large numbers of employers in the metal trades whom even the National Metal Trades Association, one of the most efficient associations, has not desired or been able to enroll as members. . . .

EFFECT OF BUSINESS CYCLES

Employers' associations expand most rapidly in membership and power during war years and years of credit expansion; this expansion goes unnoticed, however, until it is demonstrated in the strike waves which follow these periods.

Nearly all the great central federations of continental Europe and the United States have been formed in the twentieth century, most of them during or following the World War. They were logically succeeded by the growth of international employers' associations, also a post-war development. International cooperation existed prior to 1900, especially among the belligerent associations. In recent years, however, especially in industries whose products compete internationally, negotiatory associations have cooperated or federated internationally, primarily because concessions in increased wages or reduced hours made by an association in one country are likely to place its members at a disadvantage in international competition. This form of international association may have some bearing on the fact that in Great Britain in 1924 wages in industries competing on the world market were only 30 to 40 percent higher than in 1914 while in other industries they were 100 percent higher. International legislation on hours has stimulated the growth of such international employers' associations as the International Association of Building and Contracting Industry and the International Federation

of Master Cotton Spinners and Manufacturers. . . .

ROBERT F. HOXIE¹

Employers' Associations

At the present time (1921) the methods of the employers' associations, more especially of the militant, may be summed up as follows:

Associations have fostered the growth of welfare work and engaged extensively in industrial betterment activities. In this respect they have aided in the improvement of working and living conditions among the laboring classes. Perhaps no associations have undertaken to promote welfare work more systematically than those in Italy, yet conditions in Italy are not regarded as approaching the ideal. Belligerent associations like the National Metal Trades Association in the United States and negotiatory associations like the United States Brewers' Association have promoted welfare work but for different ends. Associations in France, Germany, Austria and Belgium have favored family allowance schemes but on a voluntary rather than compulsory state basis. Some European associations have endorsed hour legislation as a general principle, but they have protested against a rigid fixing of hours for all industries without regard to particular conditions and against subjecting the industries of their own country to an eight-hour convention when other competing countries were not so restricted by law. Employers' associations have advocated workmen's compensation laws and other legislation promoting the safety and health of workmen, but in these matters the broad social point of view has not been foremost. While the welfare work of associations has in one sense seemed to have a great socializing influence upon the individualism of the employer its main purpose has rather been the opposite, to offset in the United States the betterment activities of trade unions and in Europe the propaganda of socialistic organizations. In other words, welfare work serves the purpose of retaining for the employer the greatest amount of control possible over his business.

1. Effective counter organization; employers parallel the union structure, trade against trade (local, district and national), city against city, state against state, national against national, and federation against federation.

2. Uncompromising war on the closed shop by asserting the right to hire and fire, to pay what the individual can be made to work for, and therefore to destroy uniformity and control hours, speed, and the conditions of employment generally; by continuous propaganda, conventions, meetings, literature and personal solicitations, showing the tyranny of the unions under closed shop rule, and the loss and waste in the closed shop from inefficient workers forced by the union upon employers, from loafing on the job, restrictions on output, and on apprenticeship; showing that the union label is a detriment rather than an advantage to the employer using it; urging employers not to use goods bearing the union label, nor to patronize any concern which does; and opposing the union label on publications of any branch of government.

3. The expulsion of members who sign closed shop agreements, with forfeit of contributions to the reserve fund.

4. Giving financial aid to employers in trouble because of attempts to withstand closed shop demands or to establish the

¹ From *Trade Unionism in the United States* by Robert F. Hoxie, copyright 1921 by D. Appleton-Century Company, Inc., reprinted by permission of Appleton-Century-Crofts, Inc., pp. 190-96.

open shop, by inducing banks to refund interest on loans during strikes, and getting owners not to enforce penalties on failure to live up to building contracts. The National Metal Trades Association, for instance, advocates a plan for the co-operation of bankers' associations to extend aid on a wide scale.

5. Mutual aid in time of trial and trouble with unionism; taking orders of a struck shop and returning profit; furnishing men from shops of other members and of outsiders; paying members out of the reserve fund for holding out against unions—a kind of strike benefit; and endeavoring to secure special patronage for employers in trouble from members and outsiders.

6. Refusal of aid to any enterprise operating under the closed shop.

7. Advertisements in some newspapers and the withdrawal of advertisements from others friendly to unionism.

8. Detachment of union leaders by promotion or bribery, honorary positions and social advancement, thus constantly depriving unions of the directive force of their strongest men.

9. Discrediting union leaders and unions by exploiting their mistakes in strikes, or mismanagement of funds; appealing to the public by the prosecution of leaders; exposing records of fearful examples as types, e.g., Parks, O'Shea, and Madden, and by inciting to violence.

10. Weeding out agitators and plain union men by blacklists, card catalogs, lists of employees, and by identification systems, for example, the Metal Trades' card catalog, and the Seaman's employment book. Employment agencies for employers' associations require lists of all former employees, examine their records and require certificates of membership.

11. Detaching workers from the union and the union's control by requiring an individual contract with penalties, i.e., the loss of unsettled wages called deposit in

case of strike; by welfare plans, insurance and pensions to the workers which depend upon long, continuous service and are forfeited in case of strike; selling stock cheap, giving the feeling to the workers that they have a stake in the game, and also by bonus and premium systems; and by "going the unions one better," i.e., paying above the union scale, giving special advantage to superior workers, requiring good working conditions by the members of the association, establishing accident prevention bureaus, safety inspection, and giving care to the housing of employees.

12. Conducting trade schools and agitating for continuation schools and vocational training; conducting trade schools themselves or helping to support them; having cities conduct continuation schools as in Cincinnati and Hartford. The National Metal Trades' Association cooperates with the University of Cincinnati in engineering courses there; providing "instructors" to teach the unskilled as does the National Founders' Association; advocating trade schools supported at public expense generally, and separate vocational schools; attacking the present system of academic education; donating sums to certain societies for promoting industrial education, e.g., the National Metal Trades Association has donated money to the National Association for the Promotion of Industrial Education.

13. Securing foreknowledge of union plans by the spy system, use of detective agencies, spies in the union, the shadowing of leaders, gaining their confidence or using the dictagraph.

14. Systematic organization and use of strike breakers and counter-sluggers.

15. Organization of counter-unions.

16. Use of the police and militia. The unions, not having been able to enact the rules of the game into law, cannot gain their ends by the assertion of their rights. With the law on the side of property,

indorsing individual liberty, to gain their ends they resort to force,

17. Systematic appeal to the courts, the use of the injunction, systematic prosecution for violence, the employment of a large corps of legal talent, the bringing into play of law and order leagues, suits for damages in case of strikes, and systematic attacks on the constitutionality of labor laws.

18. Opposition to labor legislation by organizing lobbies to appear before both state and national bodies; by a system of calling upon members of the association to send in letters and telegrams in great numbers; by having employers who will be most affected but who have good labor conditions appear before legislative committees to oppose labor legislation; and by having advertisements in many newspapers denouncing labor bills and calling upon citizens to write to legislators not to support them.

19. Political agitation and action such as urging employers to neglect party lines and to vote for safe and sane men only; supporting anti-labor statesmen and opposing labor politicians and demagogues, by sending funds, men and literature into the districts of candidates; exposing the weaknesses of the labor vote and the failure of labor to defeat men the association supports; preventing the adoption of anti-injunction planks or other class legislation, or allowing only meaningless ones in party platforms; denouncing the initiative, referendum, and recall, especially the recall of judges and judicial decisions; and defending the courts and the constitution.

20. Appealing to the public by the use of the press, publishing bulletins, and condemning papers which are unfriendly; systematically attacking unions and exposing their violence; preventing the publication of seditious articles like those in the Los Angeles papers; giving statements to the press during strikes, pointing

out that the strike is for recognition and for the closed shop and not for better wages and conditions; pointing out, in case the strike is merely a matter of wages, that the trade can stand no more but is now paying higher than elsewhere, also that should wages be advanced prices would be higher, and the consumer would have to pay more in the face of the increased cost of living, and exploiting the losses of the workers in strikes, thus showing the folly of strikes; sending out circulars to educators and clergy; sending publications to the workers; for example, the National Founders' Association and the National Metal Trades' Association send their review to molders and machinists free; attacking Socialism and socialists and lauding ministers, educators, judges, and economists who show the fallacies of unionism and set forth the eternal verities. . . .

ASSUMPTIONS OF EMPLOYERS' ASSOCIATIONS

The underlying assumptions, theories, and attitudes of employers' associations, more particularly those of the militant type, are: that a natural harmony of interests prevails in society and therefore the unions are to be restrained when they use coercive methods; that the employers' interests are always identical with the interests of society and therefore unionism is to be condemned whenever it interferes with their interests; that the interests of the worker and employer are harmonious, and therefore when the unions oppose the employer they are misled by unscrupulous leaders and are to be condemned; that the employer gives work to the laborers and therefore they are ungrateful and immoral and to be condemned when they combine to oppose him; that the employer has an absolute right to manage his own business to suit himself as against his workers, and therefore the unions are to be condemned when they interfere in any way with that

right; that the business is his, an absolute property right, and to compel him to bargain with the men collectively, instead of as individuals, is to compel him to deal with men not in his employ, with an irresponsible committee, and to assert a voice in the matters of hiring and discharge, the conditions of employment, and a right to the job and the trade; that the employer has an absolute right to manage his own business as against workers not in his employ and therefore outside workers are to be condemned when they act in sympathy with his workers; that every worker has an absolute right to work when, where, and for whom he pleases and therefore the unions are to be condemned when they restrict this right and freedom; that free competition of the workers is always in the interest of society and therefore that any interference by the unions in this is to be condemned; that the greatest possible production is always in the interest of society and therefore the union is to be condemned whenever it interferes with this; that the law, the courts, and the police represent absolute and impartial rights and justice, and therefore the unions are to be condemned whenever they violate the law or oppose the police.

COMMISSION ON INDUSTRIAL RELATIONS¹

Criticisms of Employers' Associations

The criticisms outlined are those presented chiefly by trade union witnesses, who, without exception, approved the for-

mation of strong organizations by employers for the purpose of negotiating and maintaining collective agreements. The criticisms were therefore directed almost exclusively against those associations which do not have trade agreements, and which are conducted on either "open shop" or "anti-union" policies.

Criticism 1. Many of these associations, while acting collectively themselves, deny or attempt to prevent the organization of their workers.

The reply of the employers is that they do not object to the organization of their workers along proper lines, but that they will not tolerate organizations which interfere with the employer's right to conduct his business as he sees fit, or which prevent the free American workman from securing employment under such conditions as he wishes to accept.

Criticism 2. The associations are maintained largely for the advantage of paid officials and lawyers, who create an atmosphere of bitterness and hatred and provoke trouble in order to keep themselves in employment.

The employers reply that this charge is untrue, as the associations are voluntarily formed and the officials and attorneys are paid and retained only as long as they fulfill their duties in a businesslike manner.

Criticism 3. The salaried secretaries and managers of many of the associations are not themselves employers, and have no direct interest in the industries which they represent, nor knowledge of the existing industrial conditions except through hearsay.

The employers reply that these secretaries and managers are well fitted for the positions which they occupy, and since they merely carry out policies which are dictated by practical employers, their lack of contact with industry is of little consequence.

¹ Commission on Industrial Relations, *First Annual Report*, Washington, D. C., 1914, pp. 33-39.

Criticism 4. The associations are usually undemocratic in form, and are generally dominated by small cliques who use the organization for their own purposes.

The employers reply that the form of organization is that which business experience has shown to be most effective, and that is what is called "domination by cliques" is simply the centralization of power and responsibility.

Criticism 5. The employers' associations are generally ignorant of, and indifferent to, the conditions of the workmen in their own industries, and have no concern for the progress of humanity.

Apart from the associations which claim to be active in humanitarian work, the reply is generally made that the organization was effected simply for business reasons, as a defense against trade union encroachment, and leaves its members free to carry out their altruistic plans in their own way.

Criticism 6. The employers' associations which keep a record of individual employees use such records as a method of blacklisting agitators and active union men.

The employers reply that it is entirely legal and proper to keep such records, and to hire men on the basis of their past performances. That this is the only way to avoid favoritism, and can be objected to only by those who seek to secure employment for some purpose other than that of exchanging "a fair day's work for a fair day's wage." That the elimination of the agitator is in the interest not only of shop discipline, but also of industrial peace.

Criticism 7. The employers' associations which oppose trade unions, boycott the employers of union labor and goods bearing the union label.

The employers reply that this action, where used, has been adopted as a matter

of defense against the aggressions of trade unions.

Criticism 8. The employers' associations, by the employment of armed guards and gunmen, not only maintain a state of feudalism, but also thereby display an attitude of opposition to those branches of the state created for the maintenance of law and order. Furthermore, these armed guards and gunmen provoke and create violence and disorder to put the strikers in a false position before the public, to harass the strikers by involving them in unwarranted arrests, or to create and maintain employment for themselves.

The reply of the employers is, first, that the employment of the guards in no sense arises from disrespect for the constituted authority of the state, but is made necessary by the failure of individual officials to perform their duties. Second, the employment of these guards is a matter of heavy expense, which would not be incurred if it were not necessary for the protection of human life and property, and that the employment of armed guards is the effect, and not the cause, of labor violence. Third, the existence of violence is most detrimental to the property of the employer and the safety of his faithful employees, and consequently it is inconceivable that it should be provoked with the employer's knowledge or approval.

Criticism 9. The employers' associations maintain corps of detectives and spies for no legitimate purpose, but simply to spy on the activities of unions, to harass union members and officials, and to provoke strikes at such times as they are sure to be lost.

The employers reply that such detectives as are used are employed merely to obtain information needed by the associations, and that it can hardly be believed that employers stir up trouble among their own employees and suffer the consequent losses and dangers.

Criticism 10. The employers' associations maintain or have access to bodies of strike-breakers, who are not *bona fide* workmen, but simply a reserve of mercenaries for use in industrial war.

The reply of the employers is that the first duty of the manager is to keep his plant in operation, and that when a strike occurs he necessarily secures workmen to take the place of the strikers from the most convenient supply. The maintenance of such a supply of reserves should be characterized only as an example of business foresight.

Criticism 11. The employers' association undertakes the support and defense of its members in strikes, without determining first whether or not such strikes are justified by existing conditions.

The employers reply that this is by no means characteristic, and that it would be very foolish for any association to follow such a policy. Moreover, even where conditions may apparently justify a strike, there is frequently a fundamental principle involved which must be defended by the association.

Criticism 12. The associations which advocate the so-called "open shop" are insincere, as this is a device which is uniformly used to eliminate union men and all who are active in the improvement of working conditions and in securing for employees their rights.

The employers repudiate this charge of insincerity, and reply that it is true that many employers who started to conduct a genuine "open shop" have found that it is impracticable to employ union men, as they secure employment only for the purpose of organization, and not to better the condition of themselves or their fellow employees through the proper channels. Nevertheless, where such a change of policy has been adopted, it has been forced by hostile actions on the part of the union men and agitators, and that

a genuine "open shop" policy would be resumed, as soon as it could be done without the risk of endangering discipline and loyalty of employees.

Criticism 13. The employers use their connection with banks, and other sources of credit, to hold members of the association in line during labor disputes and to compel outsiders to join the association. This is advanced by representatives of labor as an aggravated case of "secondary boycott," and more oppressive than anything that could possibly be devised or carried out by the unions.

The employers reply that such cases are extremely rare, and can be considered only as means of defense adopted as an offset to the unfair aggressive tactics of trade unions.

Criticism 14. The members of employers' associations, by manipulating their advertising patronage, exercise undue control over the press, for both the suppression and the distortion of facts regarding labor matters.

The employers assert that where such action occurs, it is done on the initiative of the individual employers and not as a part of the policy of the association. That no association has sufficient power over its members to control their actions in so vital a matter as advertising, even if it were desired.

Criticism 15. Through their social and business contact with judges and other public officials, the members of employers' associations are able to influence their attitudes and actions during industrial disputes.

The employers deny this charge, and insist that the influence of labor over judges who are elected is much stronger than any that could possibly be exerted in this manner.

Criticism 16. The officials and members of employers' associations frequently attempt to influence the actions of union

officials by bribes and other considerations, and even when such bribery is known or acknowledged the associations seldom, if ever, remove or discipline the offending member.

The reply of the employers is that such bribes are generally solicited or secured by coercion, and that it would be unjust to discipline a member who has been "held up" by labor officials.

Criticism 17. The employers' associations regularly oppose humane and necessary legislation until it is inevitable, and, if support is then given, it is only to secure modifications which weaken or destroy it.

The employers assert that the attitude of their organizations and individual members toward remedial legislation is rapidly growing more liberal, and they point to their indorsement of such legislation as workmen's compensation acts and safety and sanitation measures.

Criticism 18. The employers maintain paid lobbyists, to obstruct or influence legislation by their connection with individual legislators.

The employers state that this is a matter of heavy expense, which would not be borne if experience had not demonstrated the need of having representatives at the state and national capitals to protect themselves against meddlesome, foolish, and burdensome laws. That if there were no labor lobbyists, the employers would gladly avoid this expense.

Criticism 19. The employers' associations are frequently used to prevent competing firms from entering the same territory. In this action the unions claim that the employers virtually set up the "closed shop," but without the fundamental basis of social progress which underlies the demand for the "union shop."

The employers reply that if such a situation exists, it is contrary both to common law and to the Sherman Act and

should, therefore, be prosecuted rather than discussed.

Criticism 20. The employers' associations are not incorporated nor financially responsible.

The reply is that such incorporation is not necessary as the individual members can easily be sued, and have tangible assets upon which any proper damages can be levied.

Criticism 21. The employers' associations seldom discipline their members for breaking labor contracts, or for failing to carry out the awards of arbitration boards.

The employers reply that the individual firms guilty of breaking such agreements are directly responsible, and that it is the duty of the parties affected to bring suits, in such cases, for the recovery of the proper damages.

CLARK KERR
and LLOYD H. FISHER ¹

The Administrative Employers' Association

It scarcely needs demonstration that fewer and fewer discrete decisions are being made in collective bargaining. The corollary of this observation is that each decision has greater force and wider applicability. Observable throughout the nation, this development is nowhere regionally so far progressed as in San Francisco. The traditional single-employer agreement is there now the exception rather than the rule. The "master agreement" is the predominant instrument of collective bargain-

¹ Clark Kerr and Lloyd H. Fisher, "Multiple-Employer Bargaining—The San Francisco Experience," *Insights into Labor Issues*, ed. by R. Lester and J. Shister, copyright 1948 by The Macmillan Company, and used with their permission.

ing. Three-fourths of the employees in San Francisco covered by contracts work under the terms of master agreements.

This area is unique not only in the extent of multiple-employer agreements, some of which are also multiple-industry, but also in their intensity of application. To the classic "belligerent," "mediatory" and "negotiatory" employers' associations of Bonnett, is added a sub-type, or perhaps even a fourth type—the "administrative" association. Organizationally and historically more advanced, this type represents an important change in industrial relations, although not as significant as the shift from the belligerent to the negotiatory association. From confederation to federation, it produces a permanent and major shift in the location of sovereignty on the employer side of the bargaining relationship. Unitary decisions are made throughout the life of the agreement, as well as at the intervals of re-negotiation. . . .

When the participants on both sides of the collective bargaining relationship become as highly organized as is now the case in San Francisco, the market is no longer a neutral mechanism in which the trading of equivalents takes place by interaction of buyers and sellers. The clear purpose of organized workmen and their organized employers is to control the market or gain a strategic position within it, an objective shared by other groups in other markets. The operation of supply and demand no longer directly determines wages or other conditions of employment, but rather serves to strengthen or weaken the bargaining position of each of the participants. . . .

In analyzing industrial relations, it is noteworthy that public policy proscribes or limits combinations in most commodity markets, while protecting and even encouraging them in the labor market. The purpose of organization, whether by work-

ers or employers, is to secure unitary decisions, because it is by unitary decisions that massed force supplants market force in the determination of price. In many cases it is not far from the truth to think of these decisions, decreasing in number, as determinants of the market, rather than the market as the determinant of these decisions. The belief also becomes widespread that wages should be "fair" rather than economic. The "just price" returns in full strength. . . .

Modern industrial development conduces to large-scale organization. What is a little less obvious, but more central to the present discussion, is that the absence of large-scale enterprise is no obstacle to unitary decisions in industrial relations. San Francisco, an area marked by the predominance of medium and small-scale firms, has witnessed unitary decisions in labor relations by management, not through the coagulation of ownership but through deliberate and rational self-organization of separate ownerships. Notwithstanding the fact that the small enterprise is the characteristic San Francisco firm, the areas of labor and industry which respond to a single decision are large.

It is evident that some of the same problems tend to exist whenever collective bargaining is carried out on a large scale. However, the employers' association differs from the single large enterprise in that it usually acts as a single entity only in matters affecting the labor relations of the constituent firms. Price, production and marketing policies are more or less independently determined. This is not an insignificant difference. The uniformity of behavior which flows naturally from the central office of a large industrial firm must be consciously and deliberately organized and planned among a group of employers who must develop a system of rights and obligations according to which

the sometimes conflicting views of the members can be reconciled. . . .

The master agreement in San Francisco developed largely because union recognition had become a recognized necessity, and the organizational strength of the unions had surpassed that of the individual employers. The strategic position of the employers had deteriorated and the position of the unions improved. The organization of employers' associations was a rational act to prevent a further deterioration and, if possible, achieve improvement in the bargaining position of employers.

The employers fought to establish the master agreement principally to prevent strong unions from using "whipsaw" tactics successfully against them by gaining different concessions from different employers, and then "standardizing" the several separate agreements at the most favorable level on each individual issue. The master agreement was an anti-"whipsaw" technique as it has generally developed in San Francisco.

One employers' representative has stated the master agreement arose as a result of the decision to "sit it out rather than slug it out." In order to "sit it out" successfully the cost had to be reduced for the employer and increased for the union. The master agreement system achieved this result. "An injury to one is an injury to all" became the motto also of the employers.

The single employer faced with a strike lost his market to his competitors. The union, with the rest of its members working for the competitors, was in a strong position. The unified employers' association, insisting on a master contract, made any strike an industry-wide, area-wide stoppage. The pressure on any one employer was reduced since all his competitors were likewise shut down, and the union had all its members unemployed

and the cost to it greatly increased. The strategy of the employers also included the use of public opinion. Onus for a strike is usually laid at the door of the union, not the employer. If one employer is struck, the effect on the public is likely to be insignificant and little public concern is aroused. An industry-wide, area-wide strike which shuts down all sources of supply may vitally affect the public. Public opposition to the cessation of the flow of goods or services finds expression in condemnation of the union. The cost to the union again has been increased. The bargaining position of the employers, by lowering their individual costs and raising the costs to the union, is greatly augmented. The master agreement was a strategic device for securing this end result. . . .

Employers' associations, once collective bargaining is accepted, are of two types, or at least of two degrees. There are those more or less formal associations which engage in the negotiation of contracts. The act of mutual identification occurs approximately once a year when representatives of the separate firms comprising the industry, or a substantial part thereof, bargain jointly with the union. The result is ordinarily an agreement expressed in a series of identical contracts executed separately between the individual employer and the union. The loose structure of the employers' organization and the low degree of mutual identification suggest that each employer is explicitly reserving the right to individual bargaining, or to negotiate a distinguishing clause which will better meet his own preferences or necessities. This type of negotiatory employers' association appears to result most frequently from a non-militant union and non-militant employers. It is dependent for survival on this balance of non-militancy. If one side alone becomes more militant, it is likely to break down into domination by that side. If both become equally mili-

tant, a more complete mutual identification of employers results and a genuine administrative association emerges, constantly on the alert to defend or attack against the union.

THE SOVEREIGN ASSOCIATION

This second, more formal type of industry association explicitly adopts the slogan of "solidarity." Its cohesive force stems from the same sources as does that of a trade union, the need for united action in the face of a common threat, and the conviction that employers must "hang together or hang separately." Obviously the stronger the union, the more persuasive the argument. . . .

San Francisco employers shortly discovered that "whip-saw" tactics could be used by sophisticated and ingenious unions during the life of a contract, as well as during its negotiation. Through job action or the processing of individual grievances, improvements in job rates or conditions were obtained from individual employers, and the "standardizing" process repeated. This changed the character of the association into the "administrative" type. Joint action, rather than taking place periodically during disputes over contract terms, became constant. The joint negotiating committee gave way to the permanent administrative institution. It is this combination of multiple-employer agreements and administrative employers' associations, united under a joint council, which distinguishes the San Francisco pattern of industrial relations from the customary pattern thus far developed in the United States.

The majority of employers' associations in the San Francisco Bay area are of the administrative type. They feature full-time professional negotiators and labor relations experts for the interpretation of contracts and handling of grievances. A small staff of experts working for the association replaces the industrial relations managers of

the individual firms. The professional negotiators, or a small committee working with them, carry the power of attorney for all members of the association and can make contracts binding upon all members. The San Francisco Employers' Council recommends to each of its member associations that a self-renewing power of attorney be granted by the individual firm to the association, subject to formal cancellation only at the expiration of its term.

A literal application of the doctrine "an injury to one is an injury to all" is seen in the handling of grievances. The grievance belongs to the association rather than to the individual employer against whom it is alleged. In many associations, settlement of grievances on the plant level is virtually prohibited. One association representative, asked what kind of grievances remained within the jurisdiction of the individual employer, replied that the employer would probably be free to meet a complaint about the condition of toilets but all other matters would lie within the jurisdiction of the association. This is the counterpart of the union claim that all grievances filed by individual workers are the property of the union, for fear that some employee may accept a settlement which would be unsatisfactory to the union and be used elsewhere against it. Similarly the employers' associations seek to ascertain that no one employer will settle a grievance on terms unacceptable to other employers.

Mutual identification has proceeded to the point that the association has become the sovereign body in industrial relations, and the individual employer exercises only the functions reserved to him by the association to which he belongs. The San Francisco Employers' Council, sponsor and chief exponent of the master agreement, has developed a grievance procedure reflecting this premise. When a grievance is introduced against an employer, an em-

ployers' grievance committee is organized from employer members of the association holding the contract. Any such employer may serve on this committee, except the employer against whom the grievance is charged.

This system seems to have reduced the number of grievances to a minimum. Standardization of rates and conditions reduces the possibility of unfavorable comparisons by employees of one plant with those of another, and thus shuts off an important source of grievances. Likewise the difficulty of winning a grievance against a single employer, backed by the association, reduces the inclination to file grievances.

Job evaluation is used in some associations to assure that no one employer will set standards which the others will be forced to emulate. Standard job descriptions are prepared for each position. Contractual rates become maximum as well as minimum rates for these jobs. The association has the right to inspect the books of the individual members to ascertain whether the proper rates are paid for each title. It also has the right to interview individual employees to determine whether they are properly assigned to the job titles

which they carry. While these are extreme cases, more frequently it is only rates for "premium" men and merit increases which are reviewed. . . .

Cohesion and universality are both compelling needs of the type of association which has developed in San Francisco. These associations need cohesion in order to withstand union attacks. This implies a restricted, well-chosen membership selected on the basis of strength and uniformity of purpose. At the same time they must necessarily enroll most, if not all, of the employers in the same contract area if they are to function best. Otherwise the employers outside the association can by their actions set the pattern for the organized group. Subject to these contradictory compulsions the choice usually has been in favor of universality, with the occasional exclusion of what are known as "weak sisters" provided they are neither too numerous nor too large. This group of less resistant firms, if party to the association, causes internal conflict and reduced solidarity. The associations also must be concerned with the "lone-wolf" who while not necessarily a weak bargainer, prefers to pursue an independent course outside the association.

Section III

COLLECTIVE BARGAINING

12. Bargaining Processes and Procedures

SINCE organized group relationships between employers and employees have expanded, the collective-bargaining process has become important not alone to the parties but also to the public in general. Successful negotiation serves two purposes: (1) it avoids the withdrawal of performance by either side, and (2) it determines the rewards for performance and the conditions which shall prevail. The peaceful conduct of the bargaining and the conformance of the resulting terms to the requirements of the general welfare are both tests of the success of collective-bargaining processes. Peace alone is not enough in an interdependent society, although in the short run it is the more pressing consideration. The quality of the peace in the long run must also be examined.

Bargaining is an art, not a science. The problems are too complex for the slide rule. It is not, however, always one of the more delicate arts. It is often composed of almost equal parts of bluffing and bulldozing. The parties' strategy and tactics reach various levels of refinement depending on their degree of sophistication and the animosity between them. Standard tactics applicable in most types of games or conflicts are adapted to the particular setting. Efforts are made to divide the opposition and thus weaken it. Surprise is used on occasion. An effort is made to analyze in advance the goals and moves of the opposing party, without exposing one's own. Timing is of the utmost importance. Skillful bargainers usually observe most of the amenities and are expert in semantics. The "golden mean" of Aristotle must be constantly sought—for example, being publicly friendly but not intimate with representatives of the opposing party and being conciliatory without being weak.

Essentially, successful collective bargaining is an exercise in graceful retreat—retreating without seeming to retreat. The parties normally ask for more or offer less than they expect ultimately to have to accept or give. The "take it or leave it" proposition is not viewed as within the rules of the game. One of the most damaging criticisms is that a party is adamant in holding to its original position. Before retreating with as much elegance as the circumstances permit, each party seeks to withdraw as little as possible. This involves ascertaining the maximum concession of the opposing negotiator without disclosing one's own ultimate conces-

sion. In this sense all negotiations are "exploratory" until the agreement is consummated.

Implicit in the whole process is the ultimate resort to force. Nearly all bargaining takes place under the implicit if not explicit threat of a strike or a lockout. The threat of warfare, backed by both the ability and willingness to fight, is the primary bargaining weapon of each side. The alternative of no bargain at all is constantly before the parties. The final question asked is whether it is better to settle at a specific figure than to fight. The greater the relative capacity of a party to fight, the greater the relative capacity to bargain to a conclusion acceptable to that party. The results of the process depend on how iron the hand as well as how silken the glove.

The bargaining is not always solely with the opposing group, but within each group itself. The representatives must ascertain what their own clientele will accept, and resolve, so far as possible, divergent views within their own organization. Sometimes negotiations, where experienced representatives know fairly specifically what the results will be, become thereby "putting on a show" for the benefit of the principals on both sides of the table. While the solution is approximately known, it must be arrived at after a proper interval and through the expected procedures.

The resulting bargain is seldom the final and ultimate solution of all differences between the parties. It is the current compromise which is sufficiently acceptable to both parties for the ensuing contractual period. The last demand or the last concession, viewed historically, has not been made. The bargain may or may not be a just one. Abstract justice is difficult to define or attain. The parties usually are satisfied with an agreeable bargain, and are less concerned, if concerned at all, with its effects on groups and persons external to the bargain. But these private bargains often have public repercussions—both favorable and unfavorable. Union-management co-operation to increase efficiency illustrates the former; and union-management collusion to restrict production and raise prices illustrates the latter.

Generally bargains will be reached peacefully when the parties find their respective economic and political necessities to be compatible. If the union feels it must obtain more economically than the industry considers it can afford to concede, or if the employer decides that more power must be reserved to the enterprise and kept from the union than the union thinks is consistent with its survival and effective operation, then peaceful resolution of controversies is less likely.

Some bargains are the result of a dictated peace rather than any real meeting of the minds. Where power resides almost exclusively with one party, the terms of the contract may be determined unilaterally. The "price list" placed before the employer by some craft unions is an example. Effective bargaining presupposes some degree of equality between the parties.

The area covered by the one bargain has in recent times become a matter for debate. Some employers and some unions prefer to blanket the entire competi-

tive area under a single agreement, while others prefer to deal company by company. The public becomes particularly concerned when bargaining on the larger scale is unsuccessful and all competitive sources of supply are simultaneously closed. Other less spectacular results may also follow. Whether rightly or not, however, historically the areas covered by single bargains have tended to expand.

A bargaining system is a complex mechanism. It comprises the parties, with their separate goals, resources, and techniques, and negotiating meetings and conferences, however informal. While the basic economic and political situations provide the general setting, whether the controversy is peacefully resolved often depends on the negotiating machinery and the way the parties approach the discussions. Good techniques do not guarantee peace, but they contribute importantly. They should assure rather than impede the finding of an acceptable bargain, when such acceptable bargain in fact exists. Peace is lost at least as often because the means for discovering a mutually satisfactory bargain are defective, as because no such bargain at the time exists. The location of authority on each side of the table, the temperament of the negotiators, the size of the negotiating body, the order in which business is transacted, the extent to which deliberations are confidential, the speed of the process, the translation of agreements from the verbal to the written word, even manners and good taste are all important. Many experienced negotiators have observed that a very thin line often separates peaceful and violent resolution of conflict. On occasion, a single change in procedure may bring about the one or the other. Therefore both the parties and the public need to examine bargaining techniques.

Bargaining systems typically go through several stages in reaching full maturity. From original belligerency and warfare, they often evolve into passive acceptance, and finally into active co-operation. This co-operation may be of two types. First, co-operation may serve to increase efficiency through better use of raw materials, introduction of piece rates, encouragement of union suggestions for managerial efficiency, or through other methods. Second, co-operation may be directed toward raising prices to purchasers, restricting entrance into the trade, and generally reducing competition. Co-operation between the parties is not necessarily socially desirable in all its aspects. For either type of co-operation to develop, the parties must be on good terms with each other. Emphasis on efficiency is more likely to be chosen when the product is sold competitively, that is, when higher prices would reduce demand and therefore employment, and when lower prices would expand both. Then both parties have an interest in increased efficiency since it will contribute to more employment and produce higher wages and profits, or both. But if the demand for the product is such that higher prices can be charged without much reduction in demand, then higher profits and wages can be secured by raising prices, without an offsetting loss in production and employment. Further, if the employers are numerous and could not effectively police their own collusive program, union-management co-operation to raise prices and restrain competition may be effective in this policing. Mature bargaining systems have

historically tended more toward collusive restriction than toward emphasis on increased efficiency in production.

To the public, collective-bargaining processes and procedures are important in so far as they contribute or fail to contribute to resolution of conflict, and, when maturity is reached, in so far as they lead to greater efficiency or to more monopoly. The public desires techniques which will aid in the reconciliation of the parties, and bargaining systems which will concentrate on increasing the flow of goods and services rather than on restriction.

NATURE OF COLLECTIVE BARGAINING

WALTON H. HAMILTON¹

Collective Bargaining

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Collective bargaining is a process of discussion and negotiation between two parties, one or both of whom is a group of persons acting in concert. The resulting bargain is an understanding as to the terms or conditions under which a continuing service is to be performed. There is collective bargaining between apartment dwellers and a landlord, the cooperative producers of tobacco or cotton and the buyers, the distributors of milk in a large city and the dairymen, a public utility and the users of its product. More specifically, collective bargaining is the procedure

by which an employer or employers and a group of employees agree upon the conditions of work. The institution is both a device used by wage workers to safeguard their interests and an instrument of industrial organization.

The use of collective bargaining and the maintenance of labor unions are now almost inseparable. Workers may organize for another purpose—a union of employees to control conditions of work may require only an informal understanding—but in general collective bargaining is the activity about which trade unions are built up. The necessity of collective bargaining leads to a definition of the aims of the working group and to the development of working rules involving the regulation of the number of apprentices, the maintenance of a shop closed to non-union members and the subordination of individual interests to a common discipline. The concert of action makes the suspension of work, popularly called the strike, an effective weapon in use or as a threat. Accordingly, the extent of effective employment of collective bargaining is the extent of successful unionism; the history of collective bargaining is inseparable from the history of organized labor.

A process of collective bargaining may take any one of a number of forms. A

¹ Walton H. Hamilton, "Collective Bargaining," *Encyclopedia of the Social Sciences*, copyright 1930 by The Macmillan Company, and used with their permission, Vol. III, pp. 628-31.

single employer may bargain with a group of employees, as the proprietor of a restaurant with his waiters; a local group of employers with a number of groups of employees, as the building contractors of a city with the several unions in the building trades; a number of sectional groups of employers in an industry with the employees of a single craft, as the railroad companies with the locomotive engineers; a group of employers with all their employees, as the bituminous operators and mine workers in the Central Competitive Field. There may even be a hierarchy of a local, a district and a national process of bargaining, as in the ship building industry in Great Britain. A great diversity in the processes of industry, the character of trades, the structure of unions and the patterns of business organization promotes variety in the methods of bargaining, demands of those engaged different kinds of strategy, gives character to union programs and stimulates association among employers.

The actual conduct of collective bargaining only approximates the norm of free agreement between equally interested and equally powerful parties. The interests of the two groups are unlike, the concern of one being with an expense of production, the other with the means of livelihood. The organizations are unlike, the laborers being associated for the specific purpose of bargaining, the employers being organized for production and profit making. The employers act directly or through their appointed officials; the employees may use their business officials or employ other representatives of their own choosing. A group of workmen may find discretion elsewhere than with their own employers and include in a local agreement provisions formulated by an association of employers. The party which employs may find discretion elsewhere than

with its own employees, as when standards and working rules formulated by an international are incorporated into agreements made with local unions. The discretion may belong so exclusively to one of the parties that the bargain is in name only, as when a hold-up union dictates to employers or a business corporation uses a company union to give a rhetorical sanction to arrangements made in the business office. A system of governmental arbitration, as in Australia or Canada, or upon the railroads in the United States, may result in one or both parties giving a grudging assent to provisions they are reluctant to accept. There can hardly be a "true" collective bargaining; in its practical application it becomes entangled with and inseparable from other arrangements which control employment relations. . . .

The case for or against collective bargaining turns upon the issues of competition and personal freedom. Its opponents argue that the individual competition of employer with employer for workmen, and of laborer with laborer for jobs, through the law of supply and demand, makes alike for rightful labor costs and for fair wages; it is retorted that workers are at a disadvantage and that collective bargaining is a means of establishing that equality of bargaining power in which freedom of contract begins. Its opponents argue that it deprives the laborer of his individual liberty to dispose of his services upon such terms as he pleases; it is retorted that his individual freedom is an impotent abstraction and that he must endure the authority of a union, in whose control he has a voice, or else submit to the dictation of a business corporation. The issue involves alike the antithetical interests of economic groups and the conflicting philosophies of individualism and collectivism.

ROBERT F. HOXIE¹

Collective Bargaining and the Trade-Union Program

There are four main strands to the theory of collective bargaining. The first is a theory of standardization. Wages and the conditions of employment are determined by the relative bargaining strength of the workers and employers of the industrial group. Under competitive conditions the bargaining strength of the employer is greater than that of the individual worker because (1) of the superior knowledge, bargaining skill and waiting power of the employer; (2) of the lesser thing at stake with the employer, profits as against life; (3) there is always an actual or potential oversupply of labor; (4) the weakest employers industrially and financially are the strongest labor bargain-ers; (5) the competitive strength of the labor group under individual bargaining is equal only (ultimately) or tends to be equal only to the competitive strength of its weakest member, as is illustrated by the case of ten places and eleven men; and (6) the full bargaining strength of the employer is bound to be exercised against the workers under competitive conditions because of the pressure of the consuming public for cheap goods transmitted through retailer and wholesaler; and because the most unscrupulous employer sets the pace, and under capitalistic monopoly conditions impersonality produces the same results. Therefore, individual or competitive bargaining on the part of the workers means

progressive deterioration of wages and conditions of employment. The tendency is for wages and conditions to sink to the level which could be secured through the competitive strength of the weakest worker of the group. The only way to prevent this deterioration is to rule out all competition between the individual workers of the group, both in the making of the bargain with the employer, and in the subsequent interpretation of it and work under it.

This can be done only by the establishment and maintenance of two principles: the principle of uniformity in regard to all the conditions of work and pay where competition direct or indirect can take place between individual workers, and the principle of standardization, or restrictive regulation, by the group, of all changes in conditions of work and pay during the term of the wage contract. These principles can be established and maintained only through collective bargaining, and this is its principal function.

The second strand of the theory underlying collective bargaining is also a theory of standardization but of a slightly different nature, for it relates to definite, clearly cognizable standards of work and pay. It may be stated thus: The employer is constantly endeavoring to reintroduce individual bargaining and to force down the wage rate and increase the exertion and output for a given wage by indirect and specific encroachments on the existing status, for instance, by slight changes in method and process, by creating conditions which require slightly greater exertion or irregular home work and overtime; by division of processes and redistribution of work, by changes in tools, by changes in mode of payment, and by arbitrary fines and exactions. These changes for the most part have the effect of increasing work or

¹ From *Trade Unionism in the United States* by Robert F. Hoxie, copyright 1920 by D. Appleton-Century, Inc., reprinted by permission of Appleton-Century-Crofts, Inc., pp. 255-63, 274, 275.

reducing pay. In the absence of clearly defined standards they are easy to introduce and are often introduced so as to result in reductions without knowledge of this effect by the workers, and the individual worker alone is usually too weak, even if he does recognize their effect, to resist them. It is a method of forcing workers to compete against one another without their knowledge or consent. These encroachments mean, therefore, undercutting and a progressive reduction of wage rates and conditions of employment.

The only way to prevent this is to have all the incidents of work and pay most minutely and clearly specified and this specification rigorously maintained. This can be done only through collective bargaining. Many minute and harassing specifications are laid down, especially in regard to kinds of work that may be done by each worker, modes of doing the work, times and modes of payment, deductions and exactions, time of beginning and ending of work, machinery, materials, objectionable work, etc. Such restrictive regulations are reasonable if the employer is constantly trying to make encroachments. This he is doing, say the workers, for the employer's motive is profit, and these encroachments are in great part the little improvements in method and savings that, under fierce competition, mean the difference between reasonable profits or very low or no profits. He is forced to make them though he is naturally humane, but under competition the least humane rules, and, even under monopoly conditions, these are among the vaunted gains, or the savings, of competition.

The third strand of the theory of collective bargaining concerns its benefits to employers. Among the advantages to the employer arising out of unionism and the union shop, as claimed by the union-

ists, are these: (1) The unions claim to supply the employer with a sufficient amount of high-grade labor, intelligent, self-respecting, well trained and restrained. (2) The unions claim to exercise a disciplinary control over this labor, to see that the individuals give to the employer a fair day's work for a fair day's wage, to see that the workers as individuals or as a shop group do not violate their agreements with the employer, and to replace workers who cannot be depended upon in this way by those who can. (3) The unions claim to relieve the employer from the danger of sudden and ill-considered strikes to which the employer is apt to be subjected from unorganized and undisciplined workers. (4) The unions claim that they protect the employer from waste of materials, misuse of tools and machinery, sabotage, and other individualistic and revolutionary methods of unorganized workers. (5) The unions claim that agreement with them insures the employer the stability of industrial outlook which is essential to successful conduct of business. They do this by entering into an agreement with the individual employer which guarantees that he shall have for a certain period an adequate labor supply, turning out a definite output, at a definite labor cost, and, where these agreements are made by the union with the employers covering the whole industry or the market area, that the employer is protected for the term of the agreement from the cutthroat competition of his rivals. (6) The unions claim that their membership is capable of turning out a superior quality of product and that this lessens the necessary amount of expense of inspection; that their members effect savings of tools, materials and machinery, and prevent loss by minimizing the product that must be scrapped or reworked because of failure to come up to standard

requirements, and that the union men require less supervision and instruction.

(7) The unions claim that their members are capable of performing many auxiliary operations which unskilled or specialist workmen cannot, as, for example, the adjusting of the machinery, the making of minor repairs, the laying out and setting up of work, the overcoming of special difficulties, etc., thus effecting further savings for the employer. (8) The unions claim that they put all the employers in the trade within the competing area on an equal competitive footing, that is, they rule out the special exigencies of the particular employers and they protect fair and honorable employers from the cutthroat competition of unfair employers; they even up the natural conditions, such as those of different mines and districts, which are given differentials in regard to wages, etc., that tend to put all into the market on a fairly equal footing.

The fourth strand concerns the double-sided monopoly possibilities and benefits of collective bargaining. Given a strong employers' association and a strong group of unions working together as, for instance, ordinarily in the building trades, collective bargaining may be a most effective means of creating monopoly conditions in the trade and reaping benefits in higher prices and profits on the one hand and higher wages on the other. Employers agree to the closed shop and the unions to harass rival employers.

Back of these strands that constitute the theory of collective bargaining are certain more basic theories that serve in part to interpret them. The first may be designated the standard of living theory and the second the group demand theory.

The standard of living theory runs as follows: Wages and conditions of employment are determined by the relative bargaining strength of the workers and

employers of the industrial group. The bargaining strength of the workers is in direct proportion to the standard of living of the group and of the class. In bargaining for wages and conditions of employment the prevailing standard of living of the group tends to be taken as the standard of justice; therefore, a high standard in the group and class tends to strengthen the workers in their attempts to secure and maintain high wages and good conditions; hence high wages tend to breed high wages, and vice versa. In bargaining, the workers on a high standard of living are more capable of waiting, therefore their bargaining power is stronger; hence no wage reductions.

The standard of living of the group tends to be taken as the standard of justice in determining the wage rate. Therefore anything that indicates that the existing wage rate will yield more than the customary standard of living tends to decrease the bargaining strength of the workers and the wage rate and vice versa. Therefore the individual who works faster and turns out more product than the normal tends to lower the wage rate; hence the necessity of limitations on the day, rate of work, piece system, bonus system, etc.

We have seen that a large part of the trade union program is wholly or partially explained by the theory of uniformity or standardization. Another large part, especially limitation of output and limitation of numbers, is explained partly by what is called the fixed group demand theory. There is much scorn of unionists by economists and employers because of this lump of labor theory with its corollaries. This scorn is based on the classical supply and demand theory and its variants. Supply is demand. Increased efficiency in production means an increase of social dividend and

increased shares, which in turn increase production and saving. Therefore, the workers cut off their own noses when they limit output or limit numbers. The classical position is undoubtedly valid when applied to society as a whole, if there is any such thing, and in the long run. But the trouble is that, so far as the workers are concerned, there is no society as a whole, and no long run, but immediate need and rival social groups.

The fixed group demand theory is as follows: The demand for the labor of the group is determined by the demand for the commodity output of the group. The community—wealth and distribution remaining the same—has a fairly fixed money demand for the commodities of a group. It will devote about a given proportion of its purchasing power to these commodities, that is, if the prices of the group commodity are higher, it will buy less units and vice versa, but expend about the same purchasing power. Therefore, the demand for the labor of the group, profits remaining the same, is practically fixed, and increasing the group commodity output means simply conferring a benefit on the members of other groups as consumers without gain to the group itself. Therefore, to increase the efficiency and the output of the group will not increase the group labor demand and group wages. Decreasing the efficiency and output of the group will not decrease the group labor demand and the group wage.

Increasing the number of workers tends to decrease their bargaining strength relatively and to lower the total wage and the wage rate. Increasing the efficiency and the output of the workers is equivalent to increasing the group labor supply, and so tends to lower the group wage and the wage rate. Decreasing the number of workers tends to increase the group wage and the wage rate. Decreasing the effi-

ciency and output of the workers tends to increase their bargaining strength relatively and so to increase the group wage and the wage rate. The introduction of labor saving devices is equivalent to increasing the labor supply and so lowering the wage rate. Limitation of output through shorter hours, etc., i.e., decreasing the supply of labor, increases bargaining strength and tends to increase the wage. Strikes and trade union insurance funds are means of temporarily withdrawing labor supply and so of increasing bargaining strength and increasing wages. In practice the group demand theory is simply the application by the unions of the principle of monopoly, admittedly valid. . . .

Agreement on general principles of right and justice is not the sticking point. Collective bargaining is rather a compromise. But we know that there are no standards which both sides recognize, and therefore the compromise is an unstable affair. Neither side is really satisfied. It is an inconclusive peace. Accordingly, the obligation of the contract tends to be taken lightly by both sides. This is one of the great weaknesses of collective bargaining, even as a settlement of group difficulties.

Collective bargaining and arbitration, however, are steps toward full labor control. They are an entering wedge toward industrial democracy and abolition of the profits system. Recognition of the union is the first step, since individual bargaining gives the workers no voice. This, then, is the important thing—not the lack of a principle of justice. Collective bargaining is not an instrument of peace primarily. It is a step in the process of control. Indeed, the significant thing about unionism is the development of a process of control. This is the larger aspect of unionism and in this sense collective bargaining is a solution of the labor problem.

SIDNEY and BEATRICE WEBB¹

The Method of Collective Bargaining

When we come to the settlement of the terms upon which a new general agreement should be entered into, an entirely different set of considerations is involved. Whether the general level of wages in the trade should be raised or lowered by 10 per cent; whether the number of boys to be engaged by any one employer should be restricted, and if so, by what scale; whether the hours of labor should be reduced, and overtime regulated or prohibited,—are not problems which could be solved by even the most perfect calculating-machine. Here nothing has been decided, or accepted in advance by both parties, and the fullest possible play is left for the arts of diplomacy. In so far as the issue is left to Collective Bargaining there is not even any question of principle involved. The workmen are frankly striving to get for themselves the best terms that can permanently be exacted from the employers. The employers, on the other hand, are endeavouring, in accordance with business principles, to buy their labor in the cheapest market. The issue is a trial of strength between the parties. Open warfare—the stoppage of the industry—is costly and even disastrous to both sides. But though neither party desires war, there is always the alternative of fighting out the issue. The resources and tactical strength of each side must accordingly exercise a potent influence on the deliberations. The plenipotentiaries must higgles and east about to find acceptable alterna-

tives, seeking, like ambassadors in international conference, not to ascertain what are the facts, nor yet what is the just decision according to some ethical standard or view of social expediency, but to find a common basis which each side can bring itself to agree to, rather than go to war. Finally, however wise may be the decision come to, the acceptance and carrying out of the collective bargain ultimately arrived at depends upon the extent to which the negotiators express the feelings and command the confidence of the whole class affected. All these considerations must be taken carefully into account in the formation of successful machinery for Collective Bargaining.

ROBERT R. R. BROOKS²

Bargaining Stages

There are three stages in the development of successful collective bargaining. The first is the signing of a contract by a company giving a union the right to bargain for its members only. Such a contract often amounts to no more than a letter of introduction. It may be followed by a period of intense conflict between union and management representatives during which the union fights for a permanent status, and the management fights for the *status quo ante*. In the second stage, individual companies concede a stable position to the union and cooperate with it in the adjustment of personal grievances, but the use of the word "grievance" clearly suggests that union-management relationships remain essen-

¹ Sidney and Beatrice Webb, *Industrial Democracy*, reprinted by permission of the executors of the late Lord Passfield. Longmans, Green and Company, Ltd., London, 1902, pp. 184-85.

² Robert R. R. Brooks, *As Steel Goes*, reprinted by permission of the publishers, Yale University Press, New Haven, 1940, p. 190.

tially negative. In the third stage, collective bargaining becomes a cooperative relationship directed toward increasing the productive efficiency of the industry. Posi-

tive action toward this objective must ultimately lead to industry-wide union-management cooperation by organized workers and associated employers.

BARGAINERS AND THEIR TACTICS

LEONARD J. SMITH¹

The Negotiators

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One of the big questions in collective bargaining confronting both the company and the union is that of the negotiators. Wide differences of opinion and practice exist as to the number and make-up of the bargaining representatives for each side. The arguments advanced by the exponents of each view have merit, and the final decision on the selection must rest with management on one side and the union on the other.

Because of the importance of the labor agreement, it is essential that the negotiators, or at least one on each side, be thoroughly familiar with conditions as they exist within the bargaining unit. The representatives should have knowledge not only of what takes place during the working day but the reasons for these occurrences. It is extremely valuable to have as negotiators men who will actually administer the workings of the final agreement. They not only will know what transpires in the plant but will be interested in what clauses are incorporated into the

agreement. The experience gained by them through the bargaining sessions will be helpful for their proper administration of good employer-employee relationships. The utilization of this group as negotiators will insure that there will always be someone sufficiently acquainted with what takes place on the job to enlighten the other participants whenever a question arises. It will also be helpful in formulating a workable and practical agreement.

In addition to knowledge of what takes place, the negotiators should have stature commensurate with the importance of the task of bargaining collectively. . . . Equal status of the representatives tends to keep the negotiations on a common level. This would be the case if the negotiating group consisted primarily of those who would be responsible for the carrying out of every-day relationships. The management group would consist of the operating heads—superintendents and their equals. The union would be represented by the head stewards, their grievance committee, or some similar group. If these men were selected as the negotiators, it would be possible for them to reap the benefits of an integration of thinking that would carry over into the actual operation of the agreement. Such integration would result from the joint discussions that would be carried on during negotiations.

The effectiveness of the negotiators' work will depend to a considerable degree upon their possessing the authority to consummate the agreement without the ne-

¹ Reprinted by permission from Leonard J. Smith, *Collective Bargaining*, copyright, 1946, by Prentice-Hall, Inc., New York, pp. 21 ff.

cessity of obtaining the approval of top management or of the entire union membership. It becomes exceedingly difficult to negotiate and reach an understanding on clauses during these bargaining sessions when settlement must await final approval of absentee parties. The time consumed in reaching a satisfactory settlement is greatly increased. The negotiators in such cases become mere puppets or messengers for the real bargainers. Only when the negotiators are empowered to conclude a binding agreement can they obtain real results in a short time. The possession of the authority also fixes the responsibility, and the end results—actual operating conditions—may thus be improved.

NUMBER OF NEGOTIATORS

The number of negotiators to represent each side has no great importance except that too large a group might tend to become unwieldy. However, if one individual or a relatively small number are selected as the spokesmen for each party and they do the negotiating, the number of negotiators may be as large as the meeting room will accommodate.

Unions frequently prefer to have large representation because this serves to assure the membership that their representatives will not be in collusion with the company. It also helps the union to sell the final contract to the employees. Large groups prove of no disadvantage unless some of them, after the group has decided to make certain unreasonable demands, prevent their negotiators from changing their stand and agreeing to a fair solution or counterproposal.

On numerous occasions either or both parties have had only a single spokesman to do their negotiating. From the company's point of view this may be desirable because of the necessity of minimizing the amount of valuable time their operating personnel might be required to spend dur-

ing negotiations. The use of the single company negotiator is also helpful when the parties negotiate for the first time. He serves as a buffer between the operating management and the employee representatives. In some cases, the company attorney or legal counsel will best fill this need. Many companies and unions use a lawyer, primarily because they feel that collective bargaining is often technical and legalistic. Some lawyers, because of lack of knowledge, treat negotiating as a legal matter, but a labor agreement is vastly different from a legal contract.

When the single negotiator is used, frequent private conferences among the representatives of each side are necessary to gain the benefits of group thinking. This practice may be advantageous because it gives the two parties opportunities to call recesses whenever the situation demands. . . .

HINTS TO NEGOTIATORS

One of the first hints to any negotiator is recognition of the principle of good faith. This mental state will do more to insure the success of collective bargaining than any other point. Recognition of the principle of not attempting to gain unfair advantage over the other side will provide the negotiations with the confidence that is required if a successful labor agreement is to be consummated. . . .

In addition to recognizing and practicing the principle of good faith, a negotiator should also know and understand the opposing negotiators. Like himself, the other negotiators have their points of view, which are conditioned by the interests of the group they represent. The views of these other negotiators may be just as valid as his own.

Recognition of these views and the fact that to the other party they are as valid as his own will greatly aid the negotiator in reconciling any differences of opinion

during negotiations. It will also assist him in the preparation of the arguments and data to be presented. He will compile this information in a manner permitting him to sell the others on the value of any clause or of the entire agreement. Such recognition by both parties will tend to assure the factual basis of bargaining rather than the emotional horse-trading basis, which puts a premium on strength and deceit and thus on the "survival of the fittest" principle.

It is also important for a negotiator to understand the abilities of the other negotiators and to know the extent of their authority to consummate the final agreement. . . .

Where the negotiators have to obtain higher approval of the proposed agreement—for example, the union of its membership or the company representatives of the president or some other top executive—one bargaining party must first sell the other side on its viewpoints and then provide the other side with complete data and arguments that the latter can use in trying to obtain the required approval. . . .

It is also important that, in such cases, the negotiators refrain from making any definite commitments until the necessary approval is obtained. When one party has the authority to complete the agreement and the other does not, it becomes almost impossible to reach any conclusions. . . . Thus, it can readily be seen that for best results the negotiators on both sides should have equal authority in bargaining.

Another hint to the negotiators closely related to that of understanding the other negotiators is that of avoiding personalities. . . . True collective bargaining should concern itself only with facts. Personalities, if any, should be discussed in the abstract, and then only if they have a direct bearing upon the negotiations. . . . The personalizing of collective bargaining

can be of real harm because of the resentments that are built up and usually continue long after the bargaining sessions are completed and the agreement executed. . . .

A favorite technique with many experienced negotiating committees is to designate one of their members to act as an obstinate and belligerent individual throughout the negotiations. This individual can then serve to control the group's actions during the negotiating sessions. He can object to any compromises that his fellow representatives might be willing to accept. He can press for the maximum demands put forth by his committee.

On many occasions this planned technique has caused one of the parties to appeal to the other negotiators for relief or for compromise. Thus, the other members of the committee have the opportunity to appear to be willing and cooperative negotiators. Therefore, they may find themselves in an excellent position to secure approval of desirable clauses in the agreement more readily. . . .

In negotiations where the parties are meeting for the first time, such a technique serves as the means of fighting the other party without the committee's being considered as unreasonable. It also serves as the emotional outlet for the parties, without allowing personalities to be brought into the discussions. . . .

The introduction of the obstinate and belligerent negotiator is made at times to offset the feeling that the negotiators of one party are easily controlled by those of the other party. It serves to upset the "sure-thing" atmosphere that might otherwise prevail, thus making it possible for the parties to negotiate on a bilateral basis rather than a unilateral one.

During actual negotiations the negotiators should always try to be open-minded. They should be ready and willing to listen to all arguments and facts presented by

the other parties. The merits of a particular point should be carefully weighed to ascertain the advantages and disadvantages to be gained by its adoption and incorporation in the final agreement.

Negotiations are accelerated and kept on a more factual basis when both parties are open-minded. This means not only a willingness to examine the facts but also an earnest desire to change points of view that may be proven incorrect. . . .

It might be well to consider some of the methods used to meet unreasonable demands or attitudes on the part of one or more of the negotiators. . . .

1. *Present facts and data proving the unreasonableness or incorrectness of the demand made or attitude taken.* . . .

2. *Appeal to the individual's sense of fairness and justice.* . . . If the individual's stand cannot be changed by this approach, it may be possible to influence him by directing this same appeal to the other members of his negotiating committee.

3. *Imply publicity on the facts of the issue.* Although this is not a desirable method because it violates the confidential nature of negotiations, it may nevertheless be necessary to secure a withdrawal from an unreasonable position. . . .

4. *Make unreasonable counterdemands.* This may merely serve to create an impasse sooner than otherwise, but, on the other hand, it frequently helps to point out the undesirability of any one of the parties taking an unreasonable stand. . . .

5. *Request higher union or management intervention.* . . .

6. *Agree to disagree and go on with the discussion of other points; then rediscuss at a later period.* . . . The more points on which both parties agree, the more the likelihood of unreasonable demands, previously presented, being modified or withdrawn.

7. *Request a recess for a cooling-off period.* . . .

8. *Request impartial third-party intervention.* . . .

Another important hint to the negotiators that has been referred to above is to make proper use of time. The ability to utilize patience is one that plays an important role in many bargaining sessions. The real value of patience lies in the fact that time has proven itself to be a great healer of troubles. . . .

When the parties are patient and are not in a rush to complete the agreement as quickly as possible, they can spend time in analyzing and evaluating the various points discussed. They will not agree to things that are later found to be unworkable or undesirable. They will benefit through careful consideration and deliberation, and the integration process will be greatly enhanced.

The use of patience in negotiations should not be confused with stalling tactics. Although both are delays, the latter is used by some negotiators to prevent the proper functioning of collective bargaining. For personal gain, one of the parties at the bargaining table might stall the negotiations by refusing to commit themselves as to their position or by using other similar delaying tactics. . . .

If long delays are required by circumstances, these delays should be fully explained to the representatives of the other side. The other party should be convinced that the postponements are being made for just reasons. Then delays would not be considered as mere stalling tactics.

One of the prime requisites of good negotiators is that they be honest and sincere throughout the bargaining sessions. Mutual confidence will speed the progress of the sessions and will permit a greater measure of agreement. It will also be the foundation for good everyday employer-employee relationships, which depend

largely upon mutual confidence and trust. . . .

Closely associated with honesty is the important hint to negotiators that they avoid hidden technicalities. It is possible in certain situations for various phrases to be incorporated in an agreement, the real intent of which is known only by one of the parties. Such phrases may be legal wordage or merely deliberate misspunctuation to change meanings. Such hidden technicalities are brought to light at future dates by the originating party for their own purposes. The results of such tactics are mutual distrust, conflict, and continual bickering. . . .

It is important that negotiators do not agree to any clauses unless they are willing to abide by them. Frequently one of the parties either will get tired of continual discussion on a particular clause or will be anxious to have the agreement signed and therefore will agree to a certain clause, despite the fact that they do not intend to carry out the intent or purpose of the clause. . . .

Negotiators would do better to refuse to accept an undesirable clause than to accept and later refuse to abide by it. The time to argue or discuss the merits and demerits of any clause is at the bargaining table. Much trouble may be avoided if the negotiators agree only to those clauses they are willing to abide by.

Experienced union negotiators have been practicing with much success a plan of concentrating their efforts on one issue at a time, merely by making one major demand and many minor ones or by making a number of major demands with the thought of dropping all in favor of one. This plan at times is combined with similar plans of unions in the same plant, company, or industry. Each union concentrates on a different issue. Occasionally, a

union may independently attempt a plan of this nature, seeking agreement each year on another clause.

The purpose behind this bargaining technique is to make it difficult or unreasonable for management to refuse their demand. Companies may be more willing to agree to one demand, even when it is larger than that ordinarily requested, than to a series of demands. . . .

In order to avoid the disadvantages of such techniques, negotiators must consider the entire agreement whenever they are discussing any one clause. Although it is advisable to bargain on one main issue at a time, no decision should be reached or agreed upon until the other main issues have been properly discussed. Either party may find itself burdened with an unsatisfactory clause unless the effects of each point to be agreed upon are weighed in relation to all the other clauses and the possible effects in the other agreements to be negotiated in the plant, the company, or the industry.

In addition to refusing to agree to any clause when they are not willing to abide by it later, the negotiators should also remain firm on any points whenever they are sure they are right in their decision. Such action may seem to be obstinate or stubborn, but it differs in that it is based upon facts and honest viewpoints that can be substantiated. . . .

The use and application of the various hints just discussed will serve to assure the proper type of collective bargaining. It will prolong mutual good will, cooperation, and friendship that will lead to the betterment of the position of both parties. Although every negotiating session is carried on under different circumstances, acceptance of the basic philosophies for sound relationships can help toward a successful conclusion.

NEIL W. CHAMBERLAIN¹

Group Relationships

In a process as significant as that of collective bargaining, with ramifications touching many phases of social and economic life, it is to be expected that the group relations of the bargaining parties will pose problems which will materially affect the outcome of their negotiations. Some of these problems arise out of the particular bargaining procedures employed, and the conflicts or interlocking of interests among various organized groups.

Important group relationships in the collective bargaining process include those between the bargaining committee and its constituents; the company and its employees; the bargaining parties and the public, particularly as influenced by the press; the bargaining parties and the government; and the bargaining parties and other interest groups such as chambers of commerce and non-participating trade associations and labor unions. The conduct of these organized relations may have a vital effect upon the outcome of collective negotiations, and may necessitate additional procedural devices if factual bargaining is to be encouraged.

THE UNION BARGAINING COMMITTEE AND THE MEMBERSHIP

For a variety of reasons, both union and company representatives have almost unanimously endorsed the policy of keeping the union membership informed of the progress of negotiations. Of 140 business and labor leaders interviewed, only one, the vice president of a large corporation, objected to this policy. He maintained that

it lent itself to "tampering with the jury." The widespread opinion, however, is that a full and complete reporting of the conference will make the membership more aware of the problems facing the company or the industry. Of more immediate importance, when the resulting conference agreement must be ratified, a membership which is familiar with conference arguments will be more willing to acquiesce in the compromises reached by their representatives. Not a few employers have charged that precipitate action by the rank-and-file has sometimes been due to the withholding or misrepresenting of significant information by union representatives, either deliberately or because of the lack of an effective system of reporting.

While criticism may be made of the method of supplying information or the accuracy of the information supplied, it is true that almost without exception union negotiators report conference results at some time or another during the bargaining process. . . .

In addition to having negotiators bring conference news to the members, some unions have adopted procedures which take the members into the conference, where they may witness for themselves the progress of negotiations and listen to the arguments of both sides. This is done either by enlarging the union committee or by selecting a limited number of members to accompany the committee as observers. If policy committees are chosen to assist bargaining committees, the entire group of delegates may attend the conference although only the negotiating group participates in discussion. In all cases, those attending may be counted upon to spread word of the conference proceedings to their fellow-members, thus becoming part of the reporting system. . . .

¹ Neil W. Chamberlain, *Collective Bargaining Procedures*, American Council on Public Affairs, Washington, 1946, pp. 99 ff.

The union and company representatives favoring this policy of open negotiations view it as an effective means of fully informing all members. It is also supposed to emphasize the responsible nature of the negotiators' position: before an interested audience, bargaining representatives are placed upon their mettle. However, the faults of this system outweigh its merits. When partisan audiences are present, conferees are more likely to make argumentative speeches, frankness is discouraged, and compromise becomes less possible.

For effective collective bargaining, reliance must be placed upon a small number of trained negotiators operating in a fact-finding rather than a partisan atmosphere. Occasions may arise when it is desirable to conduct open negotiations at particular sessions, but as a general policy they seem inadvisable.

Finally, it is to be noted that while an effective reporting system constitutes one method of educating the rank-and-file in company and industry problems, it is not in itself a substitute for a continuous educational program.

THE ASSOCIATION COMMITTEE AND THE MEMBERSHIP

Employers' associations, like unions, are composed of many members. The same necessity for reporting the progress of negotiations exists with them as it does with unions. Reports may be made to member companies through special meetings, through printed conference minutes, through correspondence, or in the case of lengthier negotiations through the association publication. The need for reporting is much less with employers than with unions, however. Members are usually better informed on the trade conditions which require compromise of original proposals than is the average trade unionist.

Moreover, employers are inclined to grant their representatives more discretion than are unions.

THE COMPANY AND ITS EMPLOYEES

During negotiations some companies seek to get their views to the employees directly. This they have done by convoking general meetings, by sending out letters or pamphlets, by publishing advertisements, by posting notices in the plant, and in a few cases by distributing printed copies of the verbatim record of the bargaining sessions. In some instances they have sought to inform the workers, and particularly the union members among them, through the medium of the union. A letter or memorandum stating the company position has been sent to the president of the union with a request that he read it before the union membership; or some company official has been permitted by the union to address its meetings.

The purpose of securing direct contact with employees is generally to guarantee that the company view is being accurately presented to them, undiluted by the prejudices of union negotiators. When acquiescence of the union has not been secured, however, this procedure can be used to undermine the union position by appealing over the heads of its officials to the general membership. For this reason, the National Labor Relations Board has not hesitated to condemn many methods of employee-contact as indications of bad faith and, therefore, unfair labor practices. Any effort on the part of management to come to individual terms with employees during union negotiations is an obvious case of bad faith.

Because of the possibility of the Board's construing as an unfair labor practice any direct contact with employees at a time when collective bargaining is in progress, most employers have adopted the practice of allowing all information concerning

both company and union bargaining positions to come from the union representatives.

THE BARGAINERS AND THE PUBLIC AND PRESS

Collective bargaining in companies employing a relatively small proportion of a community's working population seldom attracts the public eye, but negotiations involving companies which hire large groups of workers or which supply services demanded by important bodies of consumers may be matters of vital public interest. Particularly is this true if some possibility of a conference deadlock leading to more direct partisan action arises. The presence of this public interest in collective bargaining means that negotiators have a serious public relations problem, primarily with respect to the press.

Most union and company representatives prefer to allow no information to seep out to the public, even in the face of strong popular interest. They point out that conflicts of interests, always present in collective negotiations, may be exaggerated by the press into irreconcilable differences or strike threats. Misinformation in garbled newspaper accounts may result in arousing antagonisms among the negotiators, fears or unfounded hopes among the workers, and pressures from other interest groups. Suggestions of conflict in news stories may cause the company's buyers and customers to place orders elsewhere rather than run the risk of delay in delivery which strikes might bring. As a result, many negotiators have adopted the view expressed by one: "The best policy with respect to the press is to keep reporters out." Others provide information only when it is sought, volunteering none themselves. . . .

By far the most usual practice among both employers and unions in important negotiations is to use the press as a medium for partisan statements designed to enlist

public support behind their case as being fought across the bargaining table. Each party goes his own way, issuing communiqués of a warlike or conciliatory nature depending upon the requirements of bargaining tactics at the moment.

Occasionally, newspapers are supplied with information on the position of the union or the company even before negotiations begin, in an effort to secure the sympathetic understanding of editors. An official of one employers' association reports: "It is our practice to present the employers' position to the publishers with factual data in support thereof as far in advance of negotiations as possible. We do this by means of personal interviews at which we solicit the advice and counsel of the publishers or editors." In important negotiations, it has not been unknown for one group to give a dinner for newspaper reporters and columnists to impress them with the merits of their host's case. One of the railroad brotherhoods, for example, did this during its 1937 conferences.

In most instances, however, the need for partisan publicity campaigns is not felt until after negotiations have reached or threaten to reach an impasse. . . .

There are obvious disadvantages in this system of public relations. Resentment and bitterness impede the bargaining relationship when publicly voiced suspicion of motives is heaped upon public ridicule of designs and when statements are issued for popular consumption which would not ordinarily be made even in the privacy of the conference room. . . .

Some negotiators have attempted to avoid partisan publicity campaigns by seeking an agreement on the nature and timing of news releases. There may be an understanding that neither side shall issue any press statements or that each shall notify the other before releasing a statement. The most effective method is to provide for the issuance of joint releases

which satisfy at least in part the public's desire for information, but reveal little or none of the internal dissension which may characterize the conference.

In addition to being used for publicity purposes, newspapers may be drawn more specifically into the bargaining process as a means of unofficial communication between the two parties. If union representatives meet with a management adamant in its refusal to grant reasonable concessions, they may be hesitant to make any official strike threats from which they would have difficulty in backing down. They may not be averse, however, to giving some friendly reporter a tip that unless management showed a more conciliatory attitude it might find a walkout on its hands. This unofficial strike threat can be denied if thought best, but at the same time management understands the union's message. On other occasions the newspaper columns may provide the medium for hints by one side or the other as to possible compromise settlements, whenever indirect offer is preferred to direct negotiation.

Other media than the news column are available for influencing or informing public opinion. In time of strike, when both parties are most anxious to present their cases to the public in their best light, they may supplement releases which must undergo blue-penciling at the city desk, with paid advertisements. They may print pamphlets and circulars and distribute them broadside or to select mailing lists. They may use the radio in important negotiations. Unions may resort to mass demonstrations and picketing in their effort to educate the public. . . .

In general, reports to the union membership, coupled with close liaison with government officials so that a deadlock may not arise without advance warning to some public representative, will satisfy the requirements for publicity on con-

ference proceedings. The general public should not be kept in complete ignorance, however, at least in important negotiations, and joint statements should be issued for its benefit when necessary.

SOLOMON BARKIN¹

Union Strategy in Negotiations

Solomon Barkin (1897-) is research director for the Textile Workers of America CIO. He has published many books and articles on labor matters.

ORGANIZING FOR NEGOTIATIONS

Effective bargaining requires prior consolidation of labor's strength. . . .

The effectiveness of every negotiating committee depends upon the power behind it. If the union is weak and lacks cohesion and determination, the committee is not likely to secure the best results. . . .

It is therefore important to build the labor union throughout the negotiations. Meetings at which reports are given and issues discussed and voted upon are helpful. Above all, workers must feel that they are actively participating in the negotiations and shaping final policies. Decisions by the membership on specific issues not only give the sense of participation but also convey the workers' attitude to management. An active union enjoying the members' determined support is certain to secure the greatest gains in negotiations. . . .

¹ Solomon Barkin, *Collective Bargaining Contracts*, The Bureau of National Affairs, Washington, D. C., 1941, pp. 24-34.

PREPARING FOR NEGOTIATIONS

Facing, as most committees do, a group of sophisticated employers, trained in business, equipped with information and flanked by advisers, the union committee must be fully prepared. It must know its objectives; be ready with argument, reason and illustrations; be patient and persistent; and be self-confident. Adequate preparations help to attain these qualities. To establish complete parity in bargaining ability, unions are getting the advice and aid of economists and attorneys.

The negotiators must carefully study the supporting data. They furnish the basis for appraising the likelihood of obtaining each proposal. While it is difficult to judge the employer's reactions prior to a conference, such appraisals should be tentatively made subject to revision during the course of negotiations. A judgment should be made whether a particular proposal will be secured after a minimum of discussion, after prolonged pressure, only after economic pressure has been applied and possibly after strike action has been taken, or will not be obtained.

To be prepared for the third alternative and for all other negotiations, the committee should determine from the beginning which demands must be fully or substantially satisfied to secure the workers' approval of any contract. Similarly, it must list the clauses necessary for the successful administration of the contract or for the execution of any specific obligations which the union may accept, such as co-operation in increasing plant efficiency. These provisions must be placed on the "must list." The committee must also weigh the willingness of the workers to strike to secure each and all of these ends and the likelihood of their success through such action. In national emergencies special attention must be given to the possibility that interruptions in production may alienate public opinion. Consequently, the

negotiators must familiarize themselves with the services of governmental conciliatory services and the National Defense Mediation Board. They must know when they might be best called in.

The negotiating committee would do well to present the workers with a copy of the proposed agreement and to have the general body approve these proposals in their final form. . . .

GETTING ACQUAINTED WITH EMPLOYER

While objective conditions and union strength establish the range of concessions which may be secured, the degree to which, and ease with which, the union succeeds in obtaining the greatest possible gains depends on the arguments and data employed in the discussion; the personalities of the negotiators; the methods of negotiation. The union committee must acquaint itself with the personalities of the representatives of the employer, their types of reasoning and method of judgment and prejudices. It is vital to know their industrial, financial and personal associations. These people may have to be called in to aid in securing a reasonable settlement. When negotiating with large corporations, the power and authority of the employer's representatives and also the line of progression of authority within the corporation must be ascertained so as to be prepared if necessary to make appeals to more responsible officials. Some familiarity with the company's lawyers and industrial relations counselors is helpful in determining their probable position. . . .

EXPLORATORY MEETINGS

The preliminary objectives in all negotiations is to reduce the discussion to a list of issues on which agreement can be quickly reached and those on which an accord awaits further exploration. . . .

Some negotiators have found it useful to forward copies of the union's proposals

with some explanation to the management prior to the first meeting. Others have utilized the first conference primarily for explanatory and exploratory purposes. The union committee is thereby enabled to secure some knowledge of management's general reaction. In no instance should management be put in a position where it is required to give its final answer at these first meetings for it will make change more difficult.

A third alternative is for a union representative to carry on off-the-record conversations with management to clear up issues and to acquaint the employer with the union, its leaders and record. Frank discussion of the company's problems and fears helps to dispel many barriers to easy and workable solutions. It is essential in these preliminary meetings to impress management with the union's willingness to face facts and thrash out issues on their merit. . . .

ARRIVING AT A CONTRACT

With prejudice and fear dispelled, and differences defined during the exploratory discussions, the negotiators are prepared for a careful analysis of the facts to secure specific solutions. . . . Negotiations are not satisfactory until management freely presents its data and discusses the issues on the basis of the information available to both parties. In some instances, it may be desirable to limit the disclosure of financial data to a small subcommittee or to the union's economist so as to preserve its confidential character. But, in no case should it be withheld. . . .

Evidence based on plant experience has been found particularly useful in convincing an uncertain management about the need for particular provisions. . . . Repeated proof of the workers' feelings and desires is valuable support in all discussions.

Many have found it desirable to secure

agreement on general principles and to delay the solution of detailed provisions. This method promotes good feeling and speed. The complete formulation of the provision may be referred to a subcommittee or may be drafted after the major provisions have been agreed upon. Details can then be more easily cleared up in the cooperative spirit of give and take. . . .

When an easy solution cannot be found for specific problems, it is most useful to suggest reconsideration of it from a new approach. If the differences still remain unresolved, the issue should be formulated to show the union's position. . . . It is at this point that arbitration of the differences may be considered and executive officers of the national union may be invited in to aid in finding a solution. . . .

A gracious, friendly and good humored attitude during conferences is essential. There is no room for emotional outbursts. Labor representatives should resist all baiting. Assurances of cooperation with management, which every union must give, should be offered. Insistence on unimportant matters should not stand in the way of agreement on major issues. Union leaders have found it desirable to make the meaning of each provision fully understood so as to avoid future misunderstandings.

The language of contract provisions should be as simple and as easily understood as possible. Pride of authorship should not obstruct the settlement of any issue. Legal phraseology has no real place in labor agreements. All understandings, even if they are not incorporated, should be written and signed. . . .

CONSIDERING THE FINAL PROPOSAL

The specific terms of the agreement develop through the course of these negotiations. Complete understandings are reached on some questions, while employer counterproposals on other issues are

only partially satisfactory or possibly entirely unacceptable. Negotiations must be carried on until the committee determines that further efforts at direct negotiations or mediation or at securing an agreement to arbitrate would be fruitless. The negotiating committee must then consider the desirability of recommending the agreement as offered or counseling economic pressure to compel the employer to change his attitude. The committee must determine whether a strike would be of any avail; whether the unsatisfied demands are worth the sacrifice and dangers of a strike. It must balance the advantages of these gains against the possibility of securing them in the negotiations of a future contract.

The negotiating committee should advise the workers as to its attitude. It should forthrightly present as much of its knowledge as possible and outline the basis for its recommendation. It should stand the trial of open questioning. In this manner the workers can gain a clear understanding of the contents of the contract; the gains made; the demands which remain unsatisfied; the company's position, and the committee's own estimate of the situation. They should be assisted in every possible way in arriving at their final judgment as to whether the proposed agreement should be accepted. A negotiating committee which has kept the full union membership informed of its progress during the course of the discussions and which has from time to time sought direction from the membership concerning specific issues will find its final recommendations accepted.

Union strategy in all collective bargaining is to place the relations between itself and management on a rational and factual basis. It must, of course, also seek to develop this attitude among its own membership. Constructive collective bargaining and contract administration is certain to

follow if this attitude permeates the negotiations of the first and subsequent agreements with a company.

INTERNATIONAL LADIES' GARMENT WORKERS' UNION¹

Negotiating and Enforcing Agreements

No really satisfactory and stable relationship can be maintained between an employer and his workers except on the basis of a written agreement which gives all of the agreed-upon terms in detail. Too many times in the history of the labor movement have strike gains been dissipated because the workers were persuaded or intimidated into relying on the employer's "word of honor." A written agreement, even if the terms of it are not all that the union would like, is a definite document with conditions and stipulations set down in black and white, subject to interpretation but not to denial. (Even where it has not been possible to obtain a written agreement, vigilance on the part of the union may preserve gains that have been made. By making public the terms of the settlement, the union may gain the backing of public opinion for its enforcement.)

But any agreement is not worth the paper it is written on unless it is enforced. A "compromise" agreement backed by an alert, determined union is worth far more than a "perfect" agreement which is allowed to lapse through inefficiency or indifference.

¹ *Handbook of Trade Union Methods*, International Ladies' Garment Workers' Union, New York, 1937, pp. 61-66. Reprinted by permission of the Educational Department.

NEGOTIATIONS

In negotiating with employers, a union will have certain cardinal demands which it considers essential and other "bargaining" demands which it would like to attain, but some of which it may abandon temporarily in return for concessions made by the employer. . . .

The president of the ILGWU, in discussing this subject before the Trade Union Service Class, said, "Demands should always be formulated very carefully. They must be rational and realizable, not utopian, or else the employers will ridicule the whole program of the union. Demands must be flexible, so long as the essentials are won. . . .

The interests of all employers are not identical, and the conflicting desires of large shops and small shops, of manufacturers, jobbers and contractors, of high-priced and low-priced plants must be taken into consideration.

RELATIONS WITH EMPLOYERS

While union strength is the chief factor, there are many minor factors in successful negotiation. "The employer must have confidence in the word of the union representatives," President Dubinsky pointed out. "While in theory the workers and the employers are divided by the class struggle, it is foolish to ignore the fact that at times even sections of the employers favor unionism. . . .

"Even if the agreement made by the union leader sometimes works out to the disadvantage of his members in some respects, he must carry out his word in order to retain the confidence of the employer and secure greater benefits at a later date." . . . "In this, as in other matters, the union leader must have enough courage to tell his own members when they have made mistakes and to acknowledge his own."

The union leader, both in negotiating and in enforcing agreements, must study his approach to the employer. Diplomacy, reason and power must be blended. Though nothing but the big fist counts with some employers, others can be reasoned with and results secured by diplomatic methods.

"The best way to convince employers that you are in earnest," he went on, "is to be well informed about the facts of the industry. Most employers, like most individual workers, generalize from their own individual shops. If work is good in his shop, the employer assumes that it is good for the whole of the industry, and vice versa. The negotiator must be well posted. He cannot know too much about general conditions in the industry in order to refute the employers' arguments with specific facts and reasons in any given instance. If he knows more than the employer about the industry, he can win in the battle of wits.

"Do not make the mistake of threatening a strike if you are not ready for it. Usually the employer can gauge the strength of the union. However, in rare instances, a bluff will work. In a certain market the employers were finally forced to negotiate when a considerable deposit was made by the union in the same bank they patronized. Always impress an employer with the fact that you can follow words by effective action." . . .

RETAIN THE ORGANIZATION

It is much better to secure a half-way decent settlement and retain the union intact than to hold out for complete acceptance of all demands until the situation is hopeless and the workers drift back into the shops. With the union intact, it can "fight another day" when conditions are more favorable and it has further consolidated its position. . . . Commenting

upon this situation, President Dubinsky said:

"The danger in any retreat is that the rank and file may lose its morale. They may argue that you do not need a union to take cuts. However, the point is to keep the army together and to spread organization over the whole field in preparation for another advance. In all cases the retreat should be fully explained to the workers so that they will retain their confidence in organization, for in all cases where retreats must be made, the union continues to protect the workers involved so far as wage standards are concerned, against discrimination and for the right to negotiate collectively for improvements in their conditions when the opportunity presents itself."

LEE H. HILL

and CHARLES R. HOOK, JR.¹

Bargaining Tactics

Since the conditions governing each management's negotiations are different, it is impossible to set down universally applicable rules for their use. However, if management recognizes that the mechanics of negotiating a collective-bargaining agreement are after all not so far different from the negotiation of other agreements, management may find that it has at its disposal techniques that have already been developed and that can be utilized, with some modifications, in collective-bargaining negotiations. . . .

It is well to bear in mind that the wants of the employees themselves may be quite

different from the wants of the union representatives who are conducting the negotiations for them. For example, union officials may want some form of union security (a positive want), whereas the employees themselves may or may not be interested in this demand. They wish to avoid loss of opportunity or loss of job security (negative wants). Thus, many times the wants of the union officers may even be contrary to the wants of the employees, since their motivation springs from entirely different sources.

It has been said that men trained in sales or industrial purchasing make the best collective-bargaining negotiators. This is because such individuals are used to the give-and-take required in sales negotiations and are similarly experienced in dealing with many kinds of people. Understanding the other party's viewpoint is just as essential in sales as it is in collective-bargaining negotiations. Collective bargaining is a process whereby two groups reach an agreement on various points, just as a sales negotiation is a process whereby two parties agree on the terms and conditions of a sale.

To say that salesmen and purchasing agents make good negotiators does *not* mean that a salesman, or even the sales manager, should be borrowed from the sales department to conduct the negotiations. Nothing can take the place of intimate knowledge of such things as the manufacturing processes, organization of the plant, the employees' wants, and sources of discord—matters that should be at the finger tips of the chief production executive or industrial-relations head. But whoever does the negotiating for management will do a better job if he is familiar with the human or psychological approach which forms the foundation of good sales techniques.

No salesman, not even the seasoned veteran, endeavors to present his proposi-

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tion until he has studied the most frequently encountered objections to his product and has developed a plan for meeting them. Unexpected objections work havoc with any presentation if there has been no well-planned effort expended in digging out every weak point in the proposition. The man who seeks out these weak points and rehearses every objection, and uses the answers developed by his own and others' experience, will have an unlimited reservoir of courage in meeting objections. Obviously, this applies to collective-bargaining negotiators as well as to salesmen. They know or should know most of the objections the union is likely to bring up. Detailed study and thorough advance preparations are essential to competent negotiations.

Before beginning the case, it is essential that the negotiator be sure that the material he wishes to present is clear in his own mind. It seems obvious that before attempting to make his meaning clear to someone else, he should get it clear in his own mind. Many—far too many—failures to make a point clear can be traced to this simple fact. . . .

The following points may be helpful in checking to make sure that the meaning is absolutely clear in the mind of the negotiator so that he, in turn, may make it clear to other people:

1. Present the points in a natural order. While contracts are formally set down in numbered sequence, the material that goes into them flows more readily in a pattern of development. By starting with some simple known quantity and working toward a desired goal, it will be possible to carry the listeners along in an organized manner of presentation.

2. Present all major alternatives with the reasons for accepting one and rejecting others. Logical reasoning may not always be effective with emotional opponents, but a rational presentation car-

ries weight and is particularly effective before a board. Planned programs, backed by sound data, illustrated with graphs, charts, and pictures, are very effective and serve to explain the reasons for management's position, and will probably do so better than a carefully planned verbal explanation alone can do.

3. Relate all your points to the union negotiators' needs, wants, and interests. If they understand that your proposals are in the best interest of the employees, they are more likely to be receptive and cooperative. This can be done by indirection as well as by blunt statements.

Negotiations will be replete with objections from the opposing party. To make management's points, it is necessary to meet the union's objections. Here, too, the customary methods used by salesmen in meeting objections can be adapted to the needs of the management negotiator. With but little modification, the salesman's principles, well enunciated by Bigelow, can be applied to contract negotiations.

1. Anticipate them. This is by far the best method of meeting objections. It requires that the negotiator study his proposals carefully and determine what objections the opposition is likely to raise. An objection answered before it is actually stated loses its power of slowing up the negotiation. Answering objections before they are stated is psychologically sound because they cannot be given added weight by the other side repeating them, and resistance can be overcome in a positive manner rather than from a defensive point of view.

2. Agree, then refute. This method may be termed the "yes, but" answer. The negotiator agrees with the objector and then explains the difference by starting with "but." "Yes, you are correct, but—" This is a diplomatic approach, since it indicates that the negotiator accepts at

least part of the other party's argument and then shows why the reasoning may be inapplicable in this case.

3. *Postpone the answer.* This procedure is often useful to avoid any interruption in the presentation. The negotiator can say "I am coming to that" and then answer the question later when it may seem more opportune. The postponement should not, however, be used to avoid giving an answer, because that particular point may stay uppermost in the questioner's mind and evasion may cause a negative impression of management's ability or straightforwardness.

4. *Interrogate them.* "Why do you ask that question?" This method of handling an objection is an important one to bear in mind if it is felt necessary to mark time in order to provide an opportunity to reorganize or think through the story. Following this plan avoids making a hasty reply and possibly deadlocking negotiations. In a discussion where a number of individuals are present, frequently one person in the group will take up the discussion where another leaves off. In addition, interrogating the opposition may also bring out additional objections that would not otherwise be heard and that might later react adversely.

5. *Offset with a compensating advantage.* It is obvious that no contract can have every advantage to both sides, and it is to be expected that objections that are real objections will be encountered. When such objections are mentioned, they may frequently be offset by offering compensating advantages.

6. *Capitalize the objection.* Frequently the opposition will name objections that can be turned into powerful reasons for accepting the proposal. For example, if objection is raised that a certain phrase is missing, the company negotiator might be able to point out that that is why this proposal is superior, because it does not re-

quire the complicated phraseology with its attendant interpretative difficulties, and that the union is still securing all the advantages it desires.

7. *Ignore the objection.* The only objection that can safely be ignored is one obviously made as a joke and not intended to be taken seriously. If there is any doubt as to the sincerity of the objection, the answer should be given.

8. *Deny the objection.* This is the "head-on" or direct-denial method and may be used to good advantage. In making denials, the company representative should exercise care to avoid appearing argumentative or impatient. Making the mistake of denying objections that could better be handled by one of the other methods may be serious. To the negotiator of experience, however, the denial strategy may have great value.

9. *Analyze the situation.* This method is similar to method 4 (interrogation)—but uses a somewhat different approach. It is most frequently useful when the negotiator is temporarily baffled and needs time to think the question through for the proper answer. So he counters with, "Well, let's analyze the situation." He then begins to ask questions about his opposition's points. The answer to these points may give him new light on the subject, and it at least serves to give him time to collect his own thoughts. A skilled bargainer may also use this method to meet any objection that he has not encountered previously. Using this method, he can say, "This is a new one on me, but let's analyze the situation a bit." From here on, both sides may contribute something of value on the new and unanticipated point.

If the management representative could anticipate every objection that the union would raise, he could answer them all in advance and thus avoid ever being put on the defensive. But this cannot always be

done, since there is always the possibility that the union may raise matters that have never been encountered by the management. When this is the case, the management representatives should be extremely careful that they do not commit themselves on any novel and, perhaps, dangerous proposition without due consideration.

The negotiator must remember that something once offered cannot be withdrawn without great difficulty. Just as in commercial selling, if the salesman once indicates to the customer that he will furnish additional equipment without an increase in price, or that he will sell the equipment at a certain price, it is practically impossible for him to raise the price or withdraw his previous offer without destroying his usefulness as a salesman in the future. Accordingly, when an offer is made to the union and is not accepted at the time, even though the offer may not be legally binding, it may be very difficult from a practical standpoint to withdraw the offer.

LEE H. HILL
and CHARLES R. HOOK, JR.¹

Actual Negotiations

One man should be definitely authorized by the management to speak for management, and only one man. Other management representatives present on the committee of course ask questions of the other side and reply to questions where they do not indicate acceptance of a proposal. But only the spokesman should be

allowed to make statements that may be considered to commit the company. . . .

The question often arises whether the employer's legal counsel should speak for the company. In the case of a large company, it is usually desirable for one of the chief production or industrial-relations executives to act as spokesman, because intimate knowledge of the plant, production problems, and personnel conditions is an important asset to the management spokesman. In some cases, the company's attorney has the requisite knowledge of these matters and may satisfactorily fill the role of spokesman. The company spokesman should preferably be an executive who can speak with authority, is thoroughly familiar with industrial-relations background and problems, and knows how to gain the respect of the union negotiators. . . .

There is a danger that inexperienced outside legal counsel may influence the management representative to base his arguments and presentation on legalistic grounds rather than on practical functional bases. Both the employees and the union negotiators invariably have a far greater appreciation for operational and plant problems than they have for the employer's legal rights. While a knowledge of the employer's legal rights is essential, it is an error to rely solely or even primarily on these rights during negotiations. . . .

In any event, it should be made clear at the outset of negotiations that proposals and agreements as to specific points are only tentative, and subject to review by counsel, and if the proposals of the union are elaborate, it is probably advisable to have counsel present or near at hand at all times. . . .

UNION REPRESENTATIVES

Before the first meeting, the management representatives should have a list of the union negotiating committee available

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and where the union negotiators are business agents or national union representatives, should urge that the union negotiators be accompanied by a representative group of employees. This is desirable since the employee body should have a firsthand means of knowing how the negotiations are progressing and what is the position of the management and the union. Furthermore, the actual process of collective bargaining gives management an excellent opportunity to educate the local union leaders in the problems of the plant. Since, as has been previously pointed out, the type of demands that will satisfy the professional union negotiator are sometimes different, it is often important from the point of view of breaking a deadlock to have employee representatives familiar with the proposals of the management.

After the names of the union negotiating committee are known to the management representatives, the management representatives should have an analysis made of each committeeman. This analysis should include, if possible, a brief of the committeeman's company record, any data on his community activities, a brief statement from his foreman and superintendent—in short, a personality sketch of the individual that should be thoroughly memorized by management representatives before the first meeting. Such background information will make it possible to gain more quickly the friendship and confidence of the union committee and may play an unexpectedly important part in negotiations.

CONSIDERATION OF ISSUES

At the outset, it must be stated that no fixed rules can be made for conducting any collective-bargaining negotiations. Sensibility is paramount, and management representatives must be sufficiently skilled to judge the situation and to conduct their negotiations accordingly. They must also

decide in their own minds what, in the opinion of the company, are the more important issues. . . .

In any event, management negotiators should recognize that the collective-bargaining process may be likened to horse trading, and it is to be expected that union negotiators may resort to a series of very clever bluffs. Management negotiators should be able to determine when an issue is a bluff and when it is real. . . .

In the very beginning of negotiations, it should be made clear that any proposal that the company advances is made contingent upon the negotiation of a complete contract. This should be spelled out very carefully so that every union negotiator understands it. . . .

Collective bargaining over wage issues must necessarily be carefully handled. The union will invariably present demands for at least twice as much as they expect to get. On the other hand, they will expect that the management's first offer is less than the management will eventually be prepared to agree to. In preparing its first proposal, therefore, management negotiators should bear in mind that negotiations are a fluid, dynamic process, requiring flexibility on the part of the negotiators and requiring room for adjustment in management's position as negotiations progress.

When considering the wage issue, management should always consider the possibilities of offering more in take-home through increased overtime and other such clauses, rather than increasing the fixed hourly wage. . . .

COUNTERPROPOSALS

In a sense, management's generally may be said to have by default let the unions assume the initiative. Much is heard about unions making demands on managements. Very little is heard about managements making demands on unions. And yet, col-

lective bargaining is not a one-way street. There is no reason why managements should always be on the defensive, always be put in the position of stubbornly saying "No." Managements can and should make demands on unions, usually by way of counterproposals, in order to restore the equilibrium that is inherent in the word "bargaining."

In making demands on unions, care should be exercised in the kinds of demands that management may safely make. Generally, it may be said that there are the three following general areas in which managements would be wise to make demands on the unions:

1. If, in the previous contract, management has deprived itself of management rights and as a result has been hampered in the efficient operation of the business, it is surely proper to demand the restoration of management's rights. . . .

2. If unions have misused their normal rights, management would be justified in demanding that those rights be limited or modified. . . .

3. If unions have abused rights or privileges granted them by previous contract, management may properly demand cancellation, limitation, or control of the exercise of those rights, in order to prevent further abuse. . . .

Employer demands in other fields should be made only after careful consideration to determine what may be the effect of an unsuccessful demand on management's existing rights. Employer demands in the above three fields, however, are safe and may have a considerable strategical as well as a possible practical value.

The First Meeting. At the first meeting, the main objective of the management representatives should be to establish an atmosphere of friendliness and confidence. The meeting should be as informal as possible, and management should have definitely planned a way to

break the ice. A good story will sometimes do it, if the person telling the story is a good storyteller. Cigarettes or gum passed around may be helpful. Before getting into the subject matter, an easy way to establish confidence is to discuss non-controversial matters. . . .

Practical Suggestions. It is management's responsibility to instill in the union negotiators the conviction that management has a sincere and continuing interest in the welfare of the employees. That interest must be maintained even in the face of unreasonable demands and irresponsible conduct on the part of union negotiators.

Since it is essential in any negotiation that the negotiator must make himself understood, it is important to use plain, simple language and to refrain from either abstruse logic or terminology that is not likely to be understood in the shop.

Management representatives should use extreme care in the use of red-flag words—words that excite the emotions and help settle nothing. Examples of such words, with other expressions that may have equivalent meaning in parentheses, are as follows:

- Closed shop (compulsory unionism or compulsory union membership)
- Management prerogatives (management functions, or management rights)
- Checkoff (dues deduction)
- Seniority (length of service)
- Antiunion
- Arbitrary
- Union racketeer
- Coercion (pressure)
- Strike (work stoppage)
- Fire (terminate employment)
- Discharge (terminate employment)

If possible, never turn down a suggestion with a flat "No." Ask questions about it, or prepare alternative suggestions. Do not be impatient with a little oratory from

the other side. Remember that the union negotiator is a professional officer and must make a show in front of his local constituents.

Beware of the "principle" argument—that such and such a demand cannot be granted because it is contrary to company policy, or that it violates the Constitution or the Ten Commandments.

Be prepared for outrageous demands, and have a plan for meeting them. A rehearsed blowup is sometimes not a bad procedure, and is one often used on the other side.

The value of a recess at the right place cannot be overestimated. When tempers get frayed and each party appears to be ready to go to any lengths merely to impose its will on the other, a recess will help the negotiators to cool off and regain perspective. If the management negotiator is in a tight spot, a recess may provide an opportunity for needed time and counsel.

Almost as useful as the recess is the knack of changing subjects. If the subject at hand is approaching deadlock or becomes embarrassing for any reason, leaving that subject and turning the meeting's attention to a different subject can avoid an impasse.

Be careful to hold statistical material in reserve. If, at the beginning of negotiating the wage question, the company produces elaborate charts and statistics, the net result will inevitably be for the union to close its mind and the force of the presentation will be lost. Material of this nature should be presented as informally and as casually as possible. It is the rare union that is convinced by the facts. Wages are usually the result of a horse trade.

Meetings should be relatively short and frequent, rather than being allowed to drag on all day and into the night.

Some employers feel that employees in the plants should be informed of the prog-

ress of negotiations, and of the demands made on the company, whenever it is possible to do so. . . .

Course of Negotiations. If the proposal of the union is not received by the management prior to the first meeting, or if there is not sufficient time to analyze the proposal of the union before the first meeting, there should be no discussion of the proposal at that meeting, except to clarify union demands. Even though management has received the proposal well in advance, the first meeting should be simply explanatory, unless the union's proposal has been fully analyzed. . . .

Consultation with Supervisory Force. Management has been criticized in the past for considering the supervisory force as part of management in name only. This is particularly true during the negotiating period, when the supervisors are often only vaguely familiar with the progress of negotiations and often receive their information from the union negotiators who happen to be employees in their department. As stated above, one of the sound preliminary moves to negotiation is consultation with the supervisory force over suggested changes in the agreement. It is equally sound procedure to keep the supervisory force intimately and immediately informed of the progress of negotiations. Shop supervisors should get their information from management before they get it roundabout from union sources.

FOLLOW-THROUGH

Finally, after going through the various steps, agreement is reached and a contract is signed. Does that mean that the job is done?

Far from it. Top management's negotiation experience has given it an insight into labor and employee relations that should be maintained. It is not enough to hand out copies of the agreement to shop supervisors and to other employees.

It is not enough to point out to supervisors in what ways the new agreement differs from the previous one and to instruct shop supervision in the manner of administering the new agreement.

Although negotiating an agreement is the most dramatic aspect of labor relations, the day-to-day application of the agreement in practice is far more important. With the contract negotiations out of the way, management has an opportunity to build a sound enduring relationship both with the union and with individual employees. The manner in which the agreement is applied will go a long way toward shaping the issues of the next negotiation and toward determining the intensity with which employees may insist on subsequent changes.

ALFRED KAMIN¹

The Lawyer's Role in Collective Bargaining

One aspect of preparing for effective labor negotiations often overlooked by lawyers is the necessity of acquiring first-hand information regarding the plant and processes to which the labor agreement will apply. This knowledge will not come merely from reading a balance sheet, a profit and loss statement, or an industrial engineering survey.

The lawyer should visit the plant and go through all the operations from the receiving room to the shipping room. He should see the workers on the job; ascer-

tain how the division of labor is organized inspect the washrooms and locker rooms see if the work pace is moderate or excessive; and learn at first-hand the level of plant morale. . . .

NEGOTIATIONS ARE NOT TRIALS

The lawyer representing a client in labor negotiations must always remember that he is not participating in the trial of a lawsuit. The forensic repertoire must be parked at the door of the conference room. There is no jury to impress. He is not striving to secure a successful entry on the judgment rolls. If his job is done well, neither party can be declared a winner or a loser. The company and its workers have managed to live and work together before and must continue to do so. No final judgment or decree will fix their respective rights forever. . . .

If the other party is also represented by counsel, these legal representatives should not let negotiations wander off into the realm of legal debate. They should especially avoid long-winded arguments about how the courts or boards might rule upon a host of hypothetical and abstract situations which have nothing to do with the particular labor agreement they are trying to reach. Clients get justifiably impatient when this happens.

THE ART OF SAYING "NO"

If a lawyer represents an employer, he must master the art of saying "No," avoiding categorical refusals based upon such defensive words or phrases as "policy," "principles," "management prerogatives." He should know his client's position and practices so thoroughly that he can present to the union sound economic justification for his client's denial of the union's request. If the client's stand cannot be justified by valid economic reasons, it is his duty to advise him of this.

¹ Alfred Kamin, "The Lawyer's Role in Collective Bargaining," *Collective Bargaining Negotiations and Contracts*, The Bureau of National Affairs, Washington, D. C., 1947, pp. 12:261-12:266.

The union lawyer ~~similarly must be prepared to back up the union's demand with facts and figures and evidence of industry-area practice.~~ He should never insist upon contract stipulations merely because his clients think they can be forced upon the employer. Union representatives especially should avoid moralizing on every issue, implying that the employer is inhuman or immoral because he seeks the reasons for the union's request.

Proposals, counter-proposals and final agreements should be written in simple, understandable language. Every "whereas," "witnesseth," "and/or" and "(Seal)" should be carefully edited from the text. . . .

ECONOMIC PREPARATION

Legal preparation alone will not suffice for the bargaining table. Lawyers must have a working knowledge of contract clauses and current wage scales in the industry and must be prepared to dis-

cuss applicable industry-area practices. But these facts should not be used mechanically. A clause in the Ford contract or the U. S. Steel contract is not necessarily a model for each employer or union client. Collective bargaining would degenerate into a national farce if all companies and all unions were to propose and counter-propose only clauses taken literally and undeviatingly from other contracts. With intelligent use of available labor services, lawyers can avail themselves of important current bargaining experiences and practices. When they are supplied with this background, their job does not end; it commences.

Lawyers should also read the union papers. They should subscribe to the *CIO News* and the *American Federationist* and trade journals which concern the company's business. They aren't expected to be expert on every detail, but should know what is going on in the industry and in the union with which they are dealing.

CONDITIONS AND TESTS OF SUCCESS

MASSACHUSETTS LABOR-MANAGEMENT COMMITTEE¹

Conditions Favoring Successful Negotiations

Certain basic conditions have a profound effect upon the success of collective bargaining. These conditions, because of their fundamental character, can not be readily brought into existence overnight. Nevertheless, awareness of their impor-

tance will stimulate employers, trade unions, and the rest of the community to help bring these basic conditions more completely into existence. Thus, in the course of a few years, the environment in which collective bargaining occurs may be made substantially more favorable. The following four conditions impress the Committee as particularly important:

1. *Better Understanding among Both Employers and Wage Earners concerning what Collective Bargaining should be. . . .*

2. *Greater Awareness of Common Interests on the Part of Both Employers and Unions. . . .*

3. *Closer Agreement on Criteria concerning what Wages are Fair and*

¹ "Report of the Governor's Labor-Management Committee," *House Doc. No. 1875*, Commonwealth of Massachusetts, (1947), pp. 8-15.

what Changes in Conditions constitute a Good Reason for making Changes in Wages. . . .

4. Reduction of Competition between Unions for Members. . . .

SPECIFIC SUGGESTIONS FOR MAKING
COLLECTIVE BARGAINING
MORE SUCCESSFUL

1. *Select negotiators who are temperamentally qualified to do the job*—men who keep their tempers in the give and take of the bargaining table, who have insight into human nature, who are able to understand the problems of the other side and are willing to hear its arguments with patience, who are men of goodwill with a strong determination to discover a basis for agreement. . . .

2. *Give Negotiators Adequate Authority.*—Sometimes the two sides bind their representatives too closely by instructions not to concede this or that. Sometimes they give their representatives authority to say "No," but not authority to say "Yes." Both unions and employers are guilty of unduly restricting the authority of their negotiators. . . .

At the outset of negotiations, the parties should exchange definite information concerning the authority of negotiators, especially when any agreement reached by them must be referred to others for confirmation or ratification.

3. *Keep the negotiating body small*—not more than five on each side and preferably not more than three. One person should be designated to do the talking for each side. A small negotiating committee does not preclude each side from bringing in a limited number of observers in case they are needed. The number of observers, however, should be kept small, because a large audience encourages the making of speeches and talking to the gallery.

4. *Avoid taking Public Positions in Advance of Negotiations.*—It is a mistake for

the employer to announce that he will "never" concede this, or for the union to announce that it "must" gain a certain change in the contract and that it will not consider anything less. Publicly announced "nevers" and "musts" and extravagant promises are likely to plague the party responsible.

5. *Avoid taking Strike Votes before the Process of Negotiation begins or before an Impasse has been reached and Conciliation has been requested.*—The Smith-Connally Act has had an unfortunate effect in promoting the practice of early strike votes. Each side should regard a strike or a lockout as a remote possibility, to be considered only as a last resort after ingenuity and patience have failed to find an alternative. A strike vote in advance of hearing the arguments of the other side is inconsistent with an attempt to settle differences on the basis of an appeal to what is fair. Many unions now require that negotiation be exhausted before a strike vote is taken. Other unions should encourage this practice.

6. *Avoid unnecessary Delays in beginning Negotiations and in conducting them.*—Stalling by one side or another gives rise to antagonisms. Stalling has occurred at times among both unions and employers. If delay is necessary, let the side which needs it ask for the delay and state its reasons. It is helpful when the date for the completion of negotiations can be agreed upon.

7. *Begin the Process of Negotiations whenever possible by presenting Problems and making Proposals rather than offering "Demands" or "demanding Rights."* . . . The question, "What are we going to do about such and such a problem?" elicits a hunt for remedies rather than a battle of rights. It sets the stage for the discussion of how to get certain things done or how to prevent certain things from happening.

8. *Make a record each day of agreements reached or tentatively reached*, but it is not generally desirable to introduce stenographers or mechanical recording devices into negotiations. Recording the discussion encourages people to speak for the record and to avoid direct and normal negotiation. . . .

9. *Insist that Facts and Arguments be offered*.—Welcome facts and arguments which are presented by the other side. Sponsor collection of facts by neutral auspices for the use of both sides. Concede agreement with facts and arguments regardless of whether this agreement carries agreement concerning conclusions.

10. *The employer should make proposals as well as the union*, in case he believes that the agreement should be changed. . . .

11. *Recognize that Negotiations may result in Changing Your Mind*.—This means that each side must not expect to come out of the negotiations with everything it asked for. Each side must recognize that the other side may induce the first side to alter its ideas of what is fair. Hence, neither side should definitely regard its proposal as the minimum terms which it is willing to accept.

12. *Be prepared to get Results Gradually*.—Each side is likely to desire to have more changes considered than would be practicable to make in one negotiation. This should not prevent each side from presenting its proposals. One of the purposes of the negotiations should be to determine which proposals should be adopted and which should be postponed. . . .

13. *Preserve Good Manners and Keep Discussion focused on Relevant Issues*.—This prevents the will to settle from being impaired by "pounding the table" and by threats. A chairman of the conference can preserve good manners if he wishes, but

it is desirable that both sides fortify him with clear and definite instructions on this point. . . .

RICHARD A. LESTER¹

Conditions for Co-operation with Unions

There is a theory about unionism—it might be called the market theory—which explains that labor unions are likely to be most welcome (1) where there are a large number of firms in the industry, (2) where labor costs are a large percentage of total costs, and (3) where the industry is not a new one dominated by the "psychology" of market expansion and is not undergoing rapid technological changes. Under such circumstances, competition is likely to develop extreme price-cutting and cut-throat practices, and the employers in the industry may recognize the value of a national union to equalize labor costs between employers and to stabilize prices in the industry, or in the market area in the case of local-market products or services. On the other hand, unions offer little in the way of market stabilization to the large firms in the mass-production industries, because such firms are able to control their markets either through branding their products with trade-marks or by trade practices that result in price uniformity and price stability, as for example in the steel and automobile industries.

Examination of various branches of our economy shows that the following industries have the three characteristics just mentioned: bituminous coal, building,

¹ From Richard A. Lester, *Economics of Labor*, copyright 1941 by The Macmillan Company and used with their permission, pp. 559-64.

clothing, the stove industry, and many of the lines of business that are, in some localities, dominated by the Teamsters' union, such as laundry, pressing and cleaning, trucking, garage service, baked goods, etc. Indeed, these industries, along with the railroads and printing and photo-engraving, accounted for two thirds of all union membership in 1929 and 1932, before the New Deal administration in Washington encouraged the sharp expansion in union membership beginning in 1933. The railroads and newspaper printing both have peculiar market conditions that make them especially vulnerable to strikes. They have daily and hourly schedules to meet, they cannot move to other localities, and they are very dependent upon public opinion. Unions have generally been stronger in local-market industries that are not subject to outside competition and migration to another locality than they have been in manufacturing industries that can shift their location, as has happened in some cases in the textile industry and the metal trades. . . .

Soft coal has been a highly competitive industry. It is produced by thousands of independent operators, no one of which has four per cent of the total output, and at least three fourths of the coal is sold outside the state in which it is mined. During the 1920's the industry suffered from a declining demand and a large excess capacity. Labor costs represent about two thirds of the total costs of mining coal, compared with a figure of around one fifth for other types of mining. As already mentioned, there seems to have been a campaign to eliminate the union from the industry during the late 1920's, with a result that between 1922 and 1929 union membership declined over 50 per cent and average wage rates fell more than 25 per cent. With the union driven from most of the soft-coal fields from 1927 to 1933, repeated wage cuts and severe price-

cutting occurred until many of the operators who had opposed the union in 1927 were anxious to have it back again to stabilize the industry. As one operator, who had previously refused to accept the union agreement, explained in 1931:

"For the past four years these operators who have dispensed with union agreements have had plenty of time to view the experience of running without any fixed wage scale or without having any labor organization to deal with. It must be admitted that the situation is even worse than when we dealt with the union. Many operators try to keep their properties operating by cutting prices to ridiculous figures, then go back and cut the wages of the miners, and this continues until the level of the miners has been brought down so low in some places as to be a disgrace to the country. Personally, I would much prefer to deal with the United Mine Workers than with these ruthless, price-cutting, wage-cutting operators who are a detriment to the industry."

As indicated in the discussion of collusion between employers' and employees' organizations . . . , building contractors generally prefer the uniform conditions enforced upon all competitors by the unions to a condition of unregulated competition which tends to lead to wage-cutting, labor strife, poor workmanship, and the bankruptcy of fair and scrupulous contractors. Most of the demand for the open shop in building has come, not from the building contractors themselves, but from manufacturers, bankers, and merchants who were opposed to unionism. There are generally many employers in building, and it is relatively easy to enter the industry because little capital equipment is required. Without great resources and working within time limits specified in the contract, the average contractor has no desire to wage war with the unions. One strike might ruin him. In bidding

on jobs, assurance of stable wages and prices gives the building contractor the same protection against losses that fixed prices for automobiles give to automobile dealers.

In a number of respects, the men's and women's clothing industries resemble the building industry. A large part of the work is done under contract arrangements in a few large metropolitan centers like New York, Philadelphia, and Chicago. The average producing establishment has 40 or 50 workers, so that there are hundreds of small producers in the same producing area. In times past, the industry has been characterized by severe competitive bidding by contractors, miserable wages for piece work, and sweatshop conditions. The union acts as a stabilizing influence by placing a floor under wages. The Ladies' Garment Workers' Union in the New York market area, where four fifths of all women's coats, suits, and silk dresses produced in this country are made, has an arrangement with the employers by which competition is severely regulated and limited, union conditions are assured in all shops, and entrance into the industry for both employers and employees is controlled.

The discussion . . . of the "voluntary NRA" enforced by the Teamsters' union on the Pacific Coast explained that employers were not displeased with such an arrangement for petty trades, like dry cleaning, baking, trucking, and laundry and garage service, that are highly susceptible to price wars and discriminatory price practices because of the nature of the market for the product, the ease of entrance into the industry, and the large number of small establishments.

The market theory of unionism is perhaps best illustrated by the divergent experience in the two branches of the foundry industry: the stove-plate and the machin-

ery-jobbing foundries. The Stove Founders' National Defense Association was formed in 1886 to eliminate the Molders' union from the stove industry, but, beginning in 1891, has negotiated national agreements with the union on a friendly basis. Influenced by the successful joint relations in the stove industry, the National Founders' Association was formed in 1898 to accomplish the same results for foundries manufacturing products other than stove plate, but by 1904 it had become a virulent "open-shop" employers' association.

Professor Russell S. Bauder explains the successful union-employer relations in the stove industry by the fact that the union, by enforcing uniform piece rates, equalized competitive costs and checked a tendency toward cutthroat competition that menaced the industry. Failure of the market for stoves to expand much after 1900 left the industry overdeveloped. In 1904 there were 415 establishments in the stove and furnace industry with an average of about 70 wage-earners per establishment. In 1925 there were 323 establishments averaging 90 workers per plant. Molding of the plate for stoves represents from 40 to 50 per cent of the total cost of manufacturing stoves, and the union has controlled practically all the molders in the industry. On the other hand, Professor Bauder believes that the demand for the products of the jobbing and machinery foundries was expanding so rapidly with the mechanization of industry that any possible market stabilization and cost equalization by the union would have had little positive value to the employers in the industry. The menace of cutthroat competition was less threatening in an industry enjoying such an expanding market. Furthermore, technological change was more rapid in the machinery branch of the foundry industry.

SUMNER H. SLICHTER¹

Union-Management Co-operation

The traditional view of unions is that getting out production and keeping down costs is the employer's responsibility. In performing these functions, the employer, as they look at it, needs to be checked rather than helped, and also needs to be compelled to share the gains of technological progress as he makes them. Unions have regarded it as their peculiar function to protect workers against methods of increasing output and reducing costs which are injurious to them. Unions also feel responsible for seeing that the workers share promptly in the gains of greater efficiency. Most unions have felt that they have had their hands full doing these two things. Since most unions have been unable, according to their view, to get a fair share of the employer's profits, it has never occurred to most of them that they should help the employer make more money. Likewise, it has never occurred to them that they should endeavor to help management develop new and better methods of production when they already have great difficulty in protecting their members from displacement by technological changes.

Is the policy of co-operating to help employers increase plant efficiency likely to continue to be an exceptional one—practiced by only a few unions which have special reasons for pursuing it? Or is it likely to spread gradually until it becomes the policy of a large part of the labor movement? What, in short, is the outlook for union-management co-operation? To answer these questions it is necessary to

examine the economic basis of the policy of co-operation, trends in the union movement and in industrial relations, and other factors, including the problem of the most appropriate and promising type of machinery for union-management co-operation.

WHY THE POLICY OF UNION-MANAGEMENT CO-OPERATION HAS BEEN SO EXCEPTIONAL

A combination of reasons explains why the policy of union-management co-operation has been pursued by few unions:

1. As indicated above, most unions do not realize that employers need help in reducing costs or improving methods. It seems to most union leaders and members that employers are doing these things pretty fast anyway.

2. Up to the present, unions have been bitterly opposed by most employers and have had to fight for the right to exist. This struggle for existence has necessarily taken precedence over all other concerns of the unions. To the members who must fight for the right to have a union, the idea of co-operating with management has just never occurred . . .

3. Employers must bear considerable responsibility for the limited spread of union-management co-operation. With few exceptions they have not desired or sought the help of unions in increasing efficiency. They have regarded unions as inherently militant and antagonistic organizations with which co-operation was out of the question. They have been opposed to doing anything to improve the prestige or status of the union—and inviting it to participate with plant management would raise its prestige. They have been more interested in keeping unions in their place than in obtaining their help. Some employers have simply been jealous of their ancient prerogatives. In their view the worker's function is to execute decisions of management, not to help make them.

¹ Sumner H. Slichter, *Union Policies and Industrial Management*, The Brookings Institution, Washington, D. C., 1941, pp. 560-69.

Arrangements that modified this traditional relationship have been distasteful to managements. A few employers have feared that union-management co-operation would produce friction over the division of gains. In slightly more than half of the cases of union-management co-operation, the initiative in starting the plan came from the union in the four principal cases on the railroads, in the Naumkeag Steam Cotton Company, and in 12 out of 22 cases where agreements were made to start union-management co-operation during the last two years.

4. The interest of unions in cost differentials between union and non-union plants was dulled in the generation ending in 1920 by the rising price level. This had two effects. In the first place, it gave some protection to high-cost plants against the competition of low-cost plants. In the second place, wages tended to lag behind the cost of living. In a period of rising prices, the main problem of the unions was, not cost differentials between union and non-union plants, but the lag of wages behind rising living costs.

5. Finally, and probably most important, many unions have not seen a close relationship between costs and employment, particularly in the short run. They have based their policies upon the assumption that the employer's costs can be substantially raised without producing much effect upon the employment of their members. Certainly the unions have frequently been right in making this assumption, at least for very short periods. . . . So long as the union acts upon the assumption that there is no close relationship between an employer's labor costs and the volume of employment which he gives, it is led to deal with unemployment among its members by pressing for "make-work" rules rather than by pursuing a policy of union-management co-operation. In fact, if the union assumes that there is no close

relationship between costs and employment, it cannot consistently pursue a policy of helping the employer reduce costs by labor-saving methods. Such a policy makes sense from the union point of view only in those cases where the demand for labor is elastic—if not immediately, at least in the long run.

REASONS FOR EXPECTING CO-OPERATION TO SPREAD

One must not conclude that simply because the policy of helping managements reduce costs and increase output is contrary to the present traditions of the labor movement and has been adopted by only a small minority of unions, it has no chance of spreading. In studying union policies one must remember that the trade union movement is still young, and that its outlook and policies often reflect inexperience and in some cases have been molded by conditions which are not likely to persist. Hence one must adopt an evolutionary point of view toward trade union policies. Perhaps the policy of union-management co-operation will never be adopted by a majority of American trade unions. Perhaps those which adopt it will pursue it more or less spasmodically—taking it up for a few years, dropping it, and then resuming it. One may predict with considerable confidence, however, that the policy will be pursued more extensively in the future than in the past.

The reason for this belief is that the economic case for the policy is very strong—much stronger than it appears to be at first inspection. Union-management co-operation is well designed to help unions deal with certain problems of more or less permanent importance. Although a few inexperienced unions base their policies upon the assumptions that most employers are making too much money and that the main problem of the union is to get a larger share of swollen profits, most

experienced unions find that their toughest problems spring from the fact that a large proportion of employers do not break even. Even in 1929, only 3 out of every 5 of the 509,000 corporations in the United States made money and, in 1937, only 2 out of 5.

The problem of the high-cost employer will always exist. What is a union to do when it is confronted with a management that employs wasteful methods, is inefficient in maintaining quality, fails to make deliveries on time, or is inefficient in other respects? Should the union do nothing, on the ground that a poorly managed company is bound to go out of business? Or should the union help to make the plant efficient—perhaps even by insisting upon changes in managerial personnel? The decision will not be the same in all cases (some managements may seem worth helping and others not), but cases which present this question will never cease to arise. If the union can help the high-cost employer cut expenses, possibly it can save the jobs of its members. Sixteen of the 22 enterprises which agreed to start union-management co-operation during the last two years were high-cost concerns and were faced with serious competitive difficulties.

Likewise, there will always be the problem of the newly organized employer who keeps himself in business, despite poor management, by paying very low wages. When the union organizes such a plant, the employees expect the union to secure a substantial increase in wages. But if it does this, it is likely to drive the employer out of business. Confronted with this dilemma, the union has no alternative except to help the employer improve the management of the plant. The Amalgamated Clothing Workers, the International Ladies' Garment Workers' Union, and the hosiery workers' union (particularly in the seamless branch of the industry) have met

this problem again and again in the last five or six years. When the union helps the employer stay in business by giving him expert assistance in reducing his costs, it is simply taking a necessary step to keep the employees of the plant in the union. Rather than lose their jobs by insisting on the union scale, the employees would probably revert to non-unionism.

As unions mature and gain more experience, they may be expected to deal with the problem of non-union competition more carefully and in more precise quantitative terms—in terms of the cost differential that it is safe to impose on union plants. When the problem is approached in this way, the union will see that it must choose the form of disadvantages which it imposes on union employers; that the greater the disadvantage it imposes in the form of restrictive rules, the smaller the disadvantage it can impose in the form of higher wages. On the other hand, the more the union helps the management reduce costs, the greater the disadvantage which the union may impose on the employer in the form of higher wages. Viewed in this way, the policy of union-management co-operation becomes a method, not by which the union does something for the employer, but by which it achieves for its members the maximum return on their bargaining power.

Finally, unions in selling their labor must consider inter-industry competition and, in the case of durable and semi-durable goods, the competition between the new and the old. Aluminum competes with light steel and copper, cement with brick and wood, cotton with paper and rayon, coal with oil and water power, automobile repairing with automobile manufacturing; railroads compete with trucks and buses, glass containers with cans and paper containers, laundries with the household washing machine; and the several durable consumers' goods indus-

tries—radios, refrigerators, automobiles, residential buildings—all are in fierce competition with one another. Likewise, new automobiles compete with old, new furniture with old, new clothing with old, new machines with old, and (most important) new buildings with old. One must not expect trade unions quickly to become well aware of the effects of competition between industries and between the new and the old upon the elasticity of the demand for goods (and hence for the labor used in making the goods) because employers themselves are only imperfectly aware of these effects—as their pricing policies often indicate. Nevertheless, as unions slowly become aware that competition is more pervasive than it seems to be, their policies will be affected. In so far as the demand for labor is elastic, unions increase the incomes of their members by helping employers reduce costs.

For these several reasons there appears to be a permanent place for at least a limited amount of union-management co-operation. Its main field of application will be in the high-cost establishments where either the equipment is semi-obsolete or the management is poor and where the union needs to do something to help its members hold their jobs. Nevertheless, as unions gain more experience in selling labor and in analyzing the demand for labor, they may be expected more and more to base their policies upon a long-run rather than a short-run view of the market and gradually to become better aware of the various influences, such as inter-industry competition, which make the elasticity of the demand for labor greater than it seems to be. As this occurs, their interest in union-management co-operation may be expected to grow.

SOME PERSISTENT OBSTACLES TO EXPANSION OF UNION-MANAGEMENT CO-OPERATION

Certain more or less permanent obstacles are likely to continue to limit the spread

of union-management co-operation. Such co-operation is not likely to develop where the demand for labor is inelastic. The elasticity in the demand for different types of labor varies greatly. Some types are inelastic in demand even when rather long periods of time are involved. The elasticity of demand depends in part upon the unit of bargaining. It is likely to be less for a small part of the force of an enterprise than for the entire force—less for carpenters, for example, than for all of the labor required to build a house. Hence craft unions are more likely than industrial unions to base their policies upon the assumption that the demand for the labor of the members is inelastic. The elasticity of the demand for labor is less for the industry than for any single plant in the industry. Consequently, a shift from bargaining with individual employers to bargaining nationally with all (or nearly all) employers in the industry might be expected to increase the restrictiveness of union rules and to discourage union co-operation with management to cut costs and to increase output. Strangely enough, it does not. The reason seems to be that national officers take a much longer view of the union's interests than do local officers, and the longer the period of time considered the more elastic is the demand. The higher the proportion of the industry organized, the less elastic will be the demand for labor in the union plants. The pricing policies of employers affect the elasticity of the demand for labor, for obviously if reductions in labor costs do not promptly lead to reductions in the employer's selling price, their effect upon the demand for labor is limited. The pricing policies of a large part of American business leave much to be desired. Until they are altered and prices made more responsive to changes in costs, employers cannot expect a very broad interest on the part of unions in assisting them to reduce costs.

Wherever the union believes that changes in the union wage scale have little effect upon the quantity of labor demanded, it may be expected to pursue restrictive rather than co-operative policies. And if such restrictive policies produce unemployment, the union may be expected to attempt to cure the unemployment by enforcing additional make-work rules. Union-management co-operation to reduce costs under these circumstances would reduce employment unless the union carefully abstained from suggesting any labor-saving devices and suggested only capital-saving ones. . . .

Finally, even when a union clearly understands that the demand for the services of union members is very sensitive to the labor costs of union employers, it may not adopt the policy of helping employers reduce their costs. Instead, it may seek to protect itself against the competition of non-union plants by invoking the aid of the government. In other words, the union may seek, with the aid of the law, to achieve a monopolistic position. The Guffey Act, covering the bituminous coal industry, illustrates the procedure which may be attempted.

HAROLD SEIDMAN¹

Class Collaboration

Harold Seidman is in the Bureau of the Budget. He was on District Attorney Thomas E. Dewey's staff in New York City.

• Industrial peace may be a most desirable ideal, but often it comes at too high a

¹ Harold Seidman, *Labor Czars: A History of Labor Racketeering*, reprinted by permission, Liveright Publishing Corporation, New York, 1938, pp. 42-43.

price. Under our economic system close class collaboration indicates a pathological rather than a healthy state of affairs. At the beginning of the century the astute Clarence Darrow viewed "with uneasiness the friendly feeling that some of the big corporations are expressing for the trades unions." The noted Chicago attorney pointed out to the Anthracite Coal Commission that "J. P. Morgan sees that it is economy to deal with the workingmen as a body rather than with individuals. He doesn't care how much he has to pay, because he understands that you can't mark up the price of labor as fast as he marks up the price of steel." But the public is really paying for it, and they are getting nothing in return. It is the same in every line where capital and labor are getting along peaceably."

WILLIAM HABER²

Collusive Action in the Building Trades

William Haber (1896-) is now professor of economics at the University of Michigan. His work on collective bargaining in the building trades is a standard source in this field. He is an active participant in the development of state and national labor legislation.

Theodore Starrett, president of the Thompson-Starrett Company, who was one of the leading building-trades employers in the country at that time (1904), wrote:

"Not so very long ago there was an understanding in connection with almost

² Reprinted by permission of the publishers from William Haber, *Industrial Relations in the Building Industry*, Cambridge, Mass.: Harvard University Press, 1930, pp. 355 f.

every large building of importance, especially the buildings for rich owners, whereby the employers in each line would divide up the work. There was usually a small coterie in each trade and there was plenty to go around. There were no cut prices, everything was easy and the architect, through whom the work had to be secured, was made to believe that the only way to get the work done properly was to let it to some one of the 'big four' or 'big five' or 'big six' as the case might be. Then came competition. . . . When ~~strange~~ employers and strange men came in it was necessary to squelch them. Treaties were made with the different trades, and strange to say, employers had to arrange to 'take care' of their fellow employers . . . and by means of . . . treaties, any employer who misbehaved was disciplined. Strikes were declared against the recalcitrant ones for no apparent reason at all, or, if the walking delegate, who was the instrument through whom these were done, condescended to give his reasons, it was for any reason that suited the moment. The employees discovered what a bonanza their employers had and took advantage of it. Books of the unions were closed and had been so for years, and the results were that in some of the trades the different employers virtually had to put their jobs on a waiting list at the union hall and ~~when the men got through with one job they always knew of three or four others where they could go without the loss of any time.~~ The principles of these combinations have been carried out as far as they would go in all trades. Times changed, but the men would not change with them, and it finally culminated in a war in which the New York employers want to win and do not want to win. They want to win the union and they want them to stay friendly. . . . It is simply a question of allowing union men from other cities to work in New York

and also a question of allowing employers from other cities to do business in New York. This is the conspiracy in the New York building trades."

GEOFFREY CROWTHER ¹

Capital and Labor Against the Consumer

Geoffrey Crowther (1907-) is an English economist, a graduate of Cambridge University who studied later in American universities. He is now editor of the Economist, London.

Employers have found that there are considerable advantages in friendly co-operation with organized labor. For one thing, labor disputes can be very substantially reduced. The employer has to submit to a number of inconveniences to attain this end. For example, he has to admit a substantial degree of interference with business practices by the union—particularly in the direction of insisting on the employment of more men, and more different types of labor, on the job than it really calls for. But he has found that labor, once it is fully admitted to what it considers to be its rightful place, can be made into a useful ally.

The economic policies of the British Government in the last decade have opened up a wide field of opportunity for industries to secure benefits from the community, whether by way of tariff protection, by grant of powers to restrict production or even by straight cash subsidy. In making application for these benefits,

¹ Geoffrey Crowther, "British Labor's War," *New York Times Magazine*, October 26, 1941, reprinted by permission of the author.

support from the trade union is most valuable, not only for its effect on public opinion but most directly for its effect on the attitude of the Labor party in the House of Commons.

It is perhaps a little fanciful as yet to suggest that the old struggle of capital against labor is at an end and that a new struggle of capital and labor against the consuming community is about to begin. But it is at least true to say that the employers in Great Britain have found that there are previously unsuspected advantages in being on good terms with the established leaders of the unions. And the union leaders themselves have shown that, once they are themselves accepted as the representatives of labor and accorded the status that is appropriate to such a position, they can pursue their ends without more than an occasional resort to the strike weapon.

CLINTON S. GOLDEN
and HAROLD J. RUTTENBERG¹

Principles of Union- Management Relations

John Stuart Mill said: "A principle ascertained by experience is more than a mere summing up of what has been specifically observed in the individual cases which have been examined; it is a generalization grounded on those cases."² The following principles are not immutable rules of union-management relations, because they are the outgrowth of changing conditions, and, as a consequence, are themselves constantly subject to change.

¹ Clinton S. Golden and Harold J. Ruttenberg, *The Dynamics of Industrial Democracy*, Harper & Brothers, New York, 1942, pp. xxxiii-xxvi.

Any enduring validity that they may prove to have will depend largely on the continued growth of industrial democracy. These principles are based on the authors' experiences in their respective capacities with the Steel Workers Organizing Committee (SWOC).

The period of time covered by them is a five-year one from 1937 through 1941. The union-management relationship upon which they are based is that generally prevailing in the basic iron, steel, and tin-producing industries and more than a score of allied metal-fabricating and processing industries. We make no claim that they apply to all types of union-management relations, only to those prevailing in the basic and mass-producing industries—although in varying degrees they may well have validity in all fields of collective bargaining. Nor do we claim that they are necessarily original with us, only that our experiences have demonstrated these principles to be conducive to the establishment and maintenance of industrial peace and fruitful union-management relations. It is in this spirit that they are presented. The text of this book is built around them, and we have carefully chosen what seem to us to be typical experiences to illustrate these principles.

1. Workers organize into labor unions not alone for economic motives but also for equally compelling psychological and social ones, so that they can participate in making the decisions that vitally affect them in their work and community life.

2. Collective bargaining marks the end of individual and the beginning of group relations between workers and management.

3. The initial collective-bargaining practices are influenced in varying degrees by the preunion history of the particular industrial concern and by the fact that

genuine union-management relations are initiated by the union.

4. Collective bargaining is an instrument for workers and owners, through unions and management, to solve their problems directly without recourse to the government.

5. Collective bargaining is the extension of the basic principles and practices of democracy into industry.

6. The policies and actions of unions are likely to reflect the policies and actions of management.

7. The attitudes and actions of management largely determine the degree of cooperativeness of union leadership.

8. The time lag in the growth of constructive union leadership, after management ceases its opposition, varies with the extent to which labor assumes responsibility for the development of its leaders.

9. Salesmen and purchasing agents usually possess a more natural ability for handling management's relations with unions than do operating officials.

10. The leadership requirements and responsibilities of management increase under union-management relations.

11. Participation of workers, union representatives, and management at all levels is a prerequisite to the successful administration of a collective-bargaining contract.

12. The peaceful administration of a contract requires the confidence of workers that they will get justice through the collective-bargaining machinery in the settlement of their grievances.

13. Grievances should be settled speedily and as near their point of origin as possible.

14. Grievances should be settled on their merits with no logrolling permitted.

15. Management should frankly acknowledge the role of the union in bringing about improvements in working conditions.

16. The successful administration of a contract requires the maintenance of an effective system of communications for both management and the union, in bringing complaints from the bottom up and relaying decisions and policies from the top down.

17. The nature of union-management relations and the administration of a contract are influenced greatly by the pattern of social relationships in any given community.

18. Workers acquire a qualified property interest in their jobs under a collective-bargaining contract.

19. Each group of workers strives for the kind of seniority rules which it thinks will provide the greatest amount of job protection.

20. Seniority is an instrument designed to eliminate favoritism and discrimination.

21. The power to discharge should not be lodged in a single individual.

22. Workers should enjoy full freedom of opportunity for advancement and promotion.

23. There is no basic conflict between seniority and productive efficiency.

24. A prime objective of collective bargaining is the redistribution of the proceeds of production.

25. Unions should participate with management in distributing the proceeds of each firm's production between its owners and workers.

26. The proceeds of technological changes, laborsaving machinery, and other factors contributing to lower unit costs of production should be shared equitably between owners and workers.

27. The adjustment of wage-rate inequalities should be exclusively on the basis of the merits of each case.

28. The greater the participation of workers through their unions in setting piecework and tonnage rates in making

time and motion studies, in determining work standards and job evaluations, the greater are the earnings and output.

29. Membership in the union should be a condition of employment.

30. The union shop is a necessary prerequisite for constructive union-management relations.

31. The union shop may be an instrument for either constructive or negative union-management relations, depending chiefly upon management's outlook and the caliber of union leadership.

32. Management's assumption of sole responsibility for productive efficiency actually prevents the attainment of maximum output.

33. The participation of organized workers in management provides an outlet for their creative desires, as it is essentially a creative and cooperative undertaking.

34. Union-management cooperation to reduce costs, eliminate wastes, increase productive efficiency, and improve quality represents a practical program that provides workers with effective direct participation in the creative phases of management.

35. Union-management cooperation tends to make management more efficient and unions more cost-conscious, thereby improving the competitive position of a business enterprise and increasing the earnings of both workers and owners.

36. The natural outgrowth of local-plant and individual-company collective bargaining is bargaining between district or industry-wide organizations of management and unions.

37. The future of industrial democracy depends upon the attainment of full production and employment on a sustained basis during and after the war.

13. Resort to Force

WE LIVE in a society in which mutually advantageous contracts are presumed to govern the economic relations between parties. That presumption underlies the employment relationship. The residual power of the employer, however, to get terms favorable to him lies in his right to give or withhold jobs. The residual power of workers to get terms favorable to them lies in their power to give or withhold labor or patronage. The lockout is an exercise of this power applied to a group of workers by the employer. The strike, slowdown, and boycott are the exercise of this power applied to an employer or group of employers by a group of workers. In the lockout the employer says, "You cannot work for me except under these terms; when you are ready to accept them the jobs are available." In the strike or boycott the workers say, "We will not work for you or buy your goods except under these terms; when you are ready to accept them the workers are available, with their labor and purchasing power."

These are forms of bargaining pressure which can very easily become coercion; and they are no less coercion because they involve costs to those who apply them as well as to those who are their objects. They are not the only stimuli which can be brought to bear on one party by the other in a bargaining situation. The persuasive emphasis may be on the positive advantages of accepting one party's terms, on the consistency of the terms with certain interests, objectives, and standards of the party asked to accept them, or upon the disadvantages of rejecting them. The tendency to coercion grows as the emphasis on advantages decreases and the emphasis on disadvantages increases.

All bargaining, whatever the issues, involves the possibility of coercion if stressing positive advantages does not accomplish the results desired. The coercion's effectiveness depends on the range and accessibility of alternatives to the party against whom the coercion is applied. The coercion involved in a lockout is inversely proportional to the workers' chances of getting equally advantageous employment elsewhere. The coercion involved in a strike is inversely proportional to the possibility of the employer's getting equally able workers to fill the positions of those who have downed tools, a possibility which the strikers try to reduce to a minimum. Physical violence arises normally from the attempts of the employer to replace the strikers and the attempts of the workers to prevent this.

The objections to coercion in bargaining practice arise from several facts. In

the first place coercion is likely to be inconsistent with the principle of free contract and its assumption of agreement between the parties on mutually advantageous terms. This is not merely a theoretical objection. The survival of the contract system itself depends on the extent to which coercion can be eliminated from the process of bargaining. Aware that rights obtained by contract provide more nearly equal freedoms than rights obtained by force, men hesitate to weaken the system itself. Second, coercion occupies a relatively low moral position among the techniques of bargaining in our society. Men have become conscious of advantages in following more peaceful and reasonable procedures and of the values in mutual respect, confidence, and co-operation that grow out of those procedures. They are aware of many additional common interests which would be jeopardized by the employment of coercion.

~~In bargaining situations in which the respective rights and obligations of the parties are relatively equal and similar, abstinence from coercion has positive advantages. Those rights being relatively stable and mutual can provide a basis for the adjudication of any differences. But bargaining about the terms and conditions of employment is distinguished from many other kinds of bargaining because the rights themselves are frequently at issue. Particularly in collective bargaining the union is seeking to create new rights for itself and for workers by imposing obligations on the employer. Conflict which is unresolvable by reasonable reference to the existing balance of rights is therefore particularly likely. If the union accepted the existing balance of rights as a basis for their relations and bargaining, it would show less tendency to resort to a test of strength or of the power of coercion than it does when a change in the basic structure of rights is being sought.~~

as for Employers

In industry employers have enjoyed a traditional and common-law right to operate their enterprises as they chose, provided, of course, that they obtained the factors of production and marketed their products or services profitably. This right has been modified in three ways: first, by voluntary commitments assumed by employers themselves; second, by obligations imposed by government allegedly in the public interest; and, third, by accession to the demands of workers made individually or collectively. The workers, unorganized or organized, are seeking a further modification of this right through their increased participation in determining an important segment of employer decisions involving the terms and conditions of employment and through the establishing of a set of enforcement techniques.

like monopolists of many

The reluctance of both employers and workers to accept compulsory arbitration by government agency of all disputes between them shows that both sides recognize the fundamental right-changing character of the process of dealings between them. Both are loath to abdicate their power to bring about the results they desire by a measurement of their relative economic and social strength. Nevertheless, they are aware that this test of strength smacks more of the law

of the jungle than of the law of the civilized society toward which they hope they are making progress.

For years, therefore, workers organized and unorganized, employers, and public servants have labored to devise means through which conflicts in industrial relations could be resolved peacefully within the existing framework of rights and obligations. Moreover, through collective bargaining, political lobbies, and the franchise, means have been devised to alter the framework of rights and obligations by persuasion, pressure, and votes. A strike or lockout announces that these labors have not produced devices which do these jobs satisfactorily for one or both parties. The results of these devices may be unacceptable in character or they may be too slow in coming. When the procedures involving law and agreements developed by generations of civilized men prove ineffective or inadequate, their heirs return to more primitive forms of combat involving tests of strength.

In this respect a strike is like a war. There are other similarities. Not every citizen in a nation participates willingly in war. Enthusiasm and group solidarity have to be aroused and maintained by leaders. So it is in a strike. Wars are not usually begun after a free secret ballot of all citizens involved. Neither are strikes. Wars, of course, involve physical violence as strikes are likely to do.

The test of strength called a strike may not lead to open and physical violence, but that result becomes possible not alone for the reasons mentioned above. The failure to settle conflicts by peaceful procedures has generated emotions which make it easier to discard the normally observed restraints on violence. These restraints rest lightly on Americans particularly. We are not far from the frontier days nor from the Civil War of 1861-65. In some sections of our country abdication to government of the individual's privilege to use force has not proceeded very far. Particularly in industrial relations has the use of force, and at times armed force, been the experience training of many industrial and labor leaders.

Why do employers and workers and unions engage in a test of strength? For the same reason that nations will go to war: either because it is forced on them, or because they can get what they want in no other way. The strike is not an end but a means. It is an alternative technique when more reasonable, safer, orderly, and socially sanctioned ones fail. The basic causes of strikes are not wages, hours, working conditions, and union recognition. These are issues. The causes are found in the failure to achieve the ends sought by arrangements and rules alternative to strikes. The failure may be due to the ineffectiveness of the arrangements and rules themselves, or because the human beings disagree on what rights and obligations they have under the arrangements and rules, or because they refuse to make use of them in good faith (as interpreted by the aggressor), or because the issue involves such a fundamental alteration of the structure of rights and obligations that the rules and procedures based on that structure do not permit the change desired.

The strike then reveals the fundamental character of the union-management

relationship. That relationship involves a constant maneuvering to maintain and redefine those rights and obligations whose ultimate sanction is the power of one group to enforce on the other those obligations in which its own rights reside. The maneuvering tries to establish new rights as well as to protect existing ones. If this can be done by negotiation and agreement or compromise and contract, well and good; but trade unions and the individuals who compose them are unwilling to define the limits of their effort by objectives that are realizable through employing only methods that impose no duress on management and owners; and management is unwilling to capitulate to any and all demands without imposing duress on workers through a lockout, or through accepting the challenge to keep operating in spite of the collective withdrawal of workers, or to wait it out until hunger and discouragement reduce the challenge.

When we consider the hold of the strike and other coercive techniques upon the minds of workers and labor leaders, we should recall that the relations between employer and employee were evolved originally in a social setting where the most closely relevant past relationship was between master and servant or lord and serf. The right to the equal participation of both parties in setting the terms of the labor contract supplanted traditional status relationships in which such participation was not allowed. The use of force, including the strike, was a technique intended to break that tradition. Negotiating mutually advantageous contracts involved unlearning the habits of autocratic dictation, whether the autocracy was benevolent or otherwise. The use of force involved many failures, but the failures only emphasized to those who failed the strength of the opposition to their right-seeking efforts. They underscored the need for better techniques of force rather than the abandonment of force.

One would expect, as the rights became better defined and the procedure for the participation of workers in determining the terms of the labor contract became better assured, that the employment of force would tend to decrease. Its persistence may be evidence of one or more of the following:

1. The continued inclination to resort to a traditional technique of proved success even when it is no longer the only one capable of accomplishing the ends sought.
2. An opposition which still will not respond to more peaceful and reasonable methods of persuasion.
3. The lack of negotiating skill and wisdom in one or both parties which leads them to give up negotiation easily and utilize coercive techniques in which they are skilled.
4. A disagreement so deep that the reasoning and negotiating powers of the parties cannot bridge the gap.
5. The inefficiency of the procedures and institutional devices themselves for making peaceful and reasonable negotiations.
6. The lack of will in one or both parties to try such procedures and devices and make them work.
7. The belief that a periodic test of strength is necessary to demonstrate the relative

bargaining power of the parties and to keep fresh the recognition and fear of the possibility of such a test.

8. The employment or acceptance of tactics involving conflict for the purpose of integrating individuals within one group.

9. The employment or acceptance of the slowdown, strike, sabotage, or boycott for revolutionary purposes, that is, to embarrass, weaken, or destroy the control of capitalistic enterprise or to accomplish the same results against the workers' organization.

It has been suggested that strikes and boycotts be made illegal, that the government compel arbitration. If the analysis of the nature and causes of the use of force made above is correct, the difficulties in compulsory arbitration in any but a totalitarian state should be evident. Quite apart from the degree of power needed by government to compel such procedure and to enforce such decisions, the method does not take realistic account of the nature of strikes and boycotts as ultimate techniques for changing the balance of rights in industrial relations. For compulsory government arbitration would necessarily assume the existing balance as the basis for decision, unless the parties, the government, and the citizens of the nation were willing to entrust a redefinition of basic rights to an arbitration board.

The voluntary reduction in the tendency to use the strike and lockout or other types of coercion as techniques for resolving difficulties is not, however, impossible. It will depend on several factors: the increasing consciousness of both parties of the reward for using alternative peaceful methods; the increasing recognition by both parties of their common interests and objectives which are jeopardized by failure to use peaceful methods and by resort to force; and the increasing effectiveness of peaceful methods not only in applying and enforcing existing rights and obligations but in modifying them according to the relative needs and power of the parties.

Even with maximum voluntary reduction in coercion, in some situations men will be loath to give up their right to demonstrate their relative strength by subjecting each other to coercion. Differences over the interpretation of existing rights may find one or both parties adamant and unwilling to compromise. One party may appear to the other to be violating the agreement and refusing to adjudicate the charge. Either party may feel the imperative need of a demonstration of the strength which lies within their own organization. The parties may be unable to agree from necessity or on principle either to a negotiated solution or to one imposed by a third party. And hotheads on both sides can always block solutions or stir up trouble for reasons that have little relevance to the desire of most men to get on with the job as reasonably and peaceably as possible.

Although the strike and lockout are the prime examples of the use of force in industrial relations, other tactics employed by unions and management are scarcely consistent with a solution based upon mutual advantage. The slowdown is in essence a modified strike. Boycotts, sabotage, and racketeering are tactics

familiar to students of union techniques. The employer upon whose decision to hire rests the ultimate job security of the worker can exercise his discretion in a way which threatens both the livelihood of the individual and the stability of the union. These methods are discussed briefly in the readings which follow.

STRIKES

J. R. HICKS¹

The Theory of Industrial Disputes

J. R. Hicks, formerly at the University of Manchester, is now professor of political economy at Oxford.

The weapon by which Trade Unions endeavour to secure more favourable terms for their members than competition would give is the strike; the concerted withdrawal of considerable bodies of men from employment. Even in the absence of combination an employer who offers less favourable terms than others must expect to find difficulties in retaining labour; but when his men combine, he is faced by a more immediate danger, the withdrawal of most or all of his employees, not into other jobs, but into voluntary unemployment, with the object of forcing him to re-employ them at the terms they dictate.

When a Trade Union demands an advance in wages, or resists a reduction, it sets before the employer an alternative: either he must pay higher wages than he would have paid on his own initiative (and this generally means a prolonged reduction in profits) or on the other hand he must endure the direct loss which will

probably follow from a stoppage of work. In either case he is less well off than he would have been if his men had not combined, but one alternative will generally bring him less loss than the other. If resistance appears less costly than concession, he will resist; if concession seems cheaper, he will meet the Union's claims.

We can learn a great deal about Trade Union action, its possibilities, and its limits, by examining the circumstances which are likely to make an employer incline towards one alternative rather than the other. First of all, it is obvious that the higher is the wage demanded, the greater will be the cost of concession; and therefore the more likely he is to resist. On the other hand, the longer he expects the threatened strike to last, the more likely he is to give way. Now, for the present, let us leave out of account all the other things on which his choice will in fact depend; let us assume "other things equal" and concentrate upon these two. We can then construct a schedule of wages and lengths of strike, setting opposite to each period of stoppage the highest wage an employer will be willing to pay rather than endure a stoppage of that period. At this wage, the expected cost of the stoppage and the expected cost of concession (accumulated at the current rate of interest) just balance. At any lower wage, the employer would prefer to give in; at any higher wage, he would prefer that a stoppage should take place. . . .

¹ From J. R. Hicks, *The Theory of Wages*, by permission of The Macmillan Company, publishers, London, 1935, pp. 140 ff.

Now just as the expected period of stoppage will govern the wage an employer is prepared to pay to avoid a strike, so the wage offered will govern the length of time the men are prepared to stand out. They, in their turn, are making a choice between present and future evils—present unemployment and future low wages—and thus the length of time they are prepared to stand out will vary according to the prospect of gain from doing so. Since the sacrifice of accepting 65s. instead of 70s., an extra period of stoppage which might not be borne for the sake of the second may be borne for the first. In order that their wages should not be reduced below 65s., they are likely to put up with greater temporary privations than they would endure to stop the wage going below 70s. . . .

For there is a general presumption that it will be possible to get more favourable terms by negotiating than by striking. The reason why an employer is prepared to pay higher wages than he would otherwise have done, as a result of Trade Union pressure, is that it pays him to offer a certain amount of "Danegeld" to buy off the loss which would follow from the strike. Once a strike has begun, all he can buy off is the remainder of the strike; the loss incurred as a result of the stoppage which has already taken place is a "by-gone"—nothing can now be done about it. It is the further resistance of the Union which he has to dread; but once a strike has lasted (say) two weeks, the power of the Union to last a further five weeks is less than its power to last out five weeks at the beginning of the stoppage. Since it is only the further length of the probable stoppage which matters, we may say that, as the strike proceeds, the Union's resistance curve moves to the left, and the highest wage that can be obtained by negotiation consequently falls.

This is indeed subject to the condition

that "other things remain equal." It is possible that while the strike is taking place, the prospects of trade may alter, and in consequence the employer's concession curve may be shifted. It is possible that the employer, or perhaps both negotiating parties, have anticipated the staying-power of the Union altogether wrongly. If the prospects of trade grow suddenly brighter, or the Union proves to possess undisclosed resources which make its power of resistance greater than had been expected, then it may indeed do better by striking than it could have done by negotiating. But even in this case it would be well to come to a settlement as soon as the more favourable factors appear on the horizon. To fight out to the bitter end can only mean going back upon the employer's terms.

And clearly it is most unwise to count on such favourable factors appearing subsequently. New unfavourable factors are just as likely to appear as new favourable factors, so that the odds are heavily in favour of negotiation being a more hopeful policy than striking. Although, by luck, it may sometimes happen that a better settlement (from the Union's point of view) is secured by striking than could have been secured without a strike, the general presumption is that a strike is a sign of failure on the part of the Union officials.

To this, indeed, there are some exceptions. Weapons grow rusty if unused, and a Union which never strikes may lose the ability to organise a formidable strike, so that its threats become less effective. The most able Trade Union leadership will embark on strikes occasionally, not so much to secure greater gains upon that occasion (which are not very likely to result) but in order to keep their weapon burnished for future use, and to keep employers thoroughly conscious of the Union's power.

Under a system of collective bargaining, some strikes are more or less inevitable for this reason; but nevertheless the majority of actual strikes are doubtless the result of faulty negotiation. If there is a considerable divergence of opinion between the employer and the Union representatives about the length of time the men will hold out rather than accept a given set of terms, then the Union may refuse to go below a certain level, because its leaders believe that they can induce the employer to consent to it by refusing to take anything less; while the employer may refuse to concede it, because he does not believe the Union can hold out long enough for concession to be worth his while. Under such circumstances, a deadlock is inevitable, and a strike will ensue; but it arises from the divergence of estimates, and from no other cause. Any means which enables either side to appreciate better the position of the other will make settlement possible. The danger lies in ignorance by one side of the other's dispositions, and in hasty breaking-off of negotiations. . . .

We may now turn to examine the employer's concession curve. The wage an employer will pay rather than submit to a strike of given length will depend on the relative costs of concession and resistance; anything which raises the cost of a strike to him will raise the wage he is prepared to pay, anything which raises the cost of paying a given wage will lower the wage obtainable. Once the duration is given, the most important conditions which determine the cost of a strike are: (1) the degree to which the union can make the strike effective in causing a stoppage of the employer's business; (2) the direct costs of the stoppage—the profits unearned and the fixed charges uncovered; (3) the indirect losses through breaking of contracts and disappointment of customers. Anything which increases these things in-

creases the wage which Trade Union action can secure. The most important factors which govern the cost of concession are: (1) the length of time the settlement is expected to last; (2) the extent to which a given rise in wages will diminish profits. Anything which increases these will diminish the wage the employer is prepared to offer.

NORMAN J. WARE¹

The Strike

- In the last instance the wage-earners must achieve their own ends. Public sympathy and liberal support can help them, but only by their own efforts can they make real and permanent gains. And under present conditions the workers must be willing and able to withdraw their labor, to strike. . . .

There are two major sorts of strikes, the spontaneous and the planned, and these to some extent correspond to the degree and character of organization behind them. On the whole the spontaneous strike is found among unorganized and the planned among organized workers. There is also some connection between business conditions and the character of the strike. Generally the spontaneous strike occurs in depressions as a result of wage cuts or short time while the planned strike is more likely to come in prosperity. Strikes may be described as aggressive or defensive, attempts to advance or simply to protect the position of the worker, but all these generalizations are subject to many exceptions and it is difficult to bring

¹ Norman J. Ware, *Labor in Modern Industrial Society*, New York, 1935, reprinted by special permission of D. C. Heath and Company, Boston, Mass., pp. 114-21.

any particular strike into any single category.

It is often said by trade unionists that a strike is a last resort and more effective as a threat than as a practice. But this depends on the attitude of the employers and the traditions of the industry. Where trade unionism is recognized and agreements are entered into, the strike does, in fact, become little more than a remote possibility by which union officials will lose control of their members and a strike will occur in spite of their efforts to avoid it. In racketeering cases union officials may promote strikes even when an agreement exists and in others employers in an organized field will support strikes in unorganized districts in order to remove the competitive advantage of the non-union employers.

The rather common belief that union officials must encourage strikes in order to keep their jobs is unwarranted. On the whole, the job of the union official like that of any other governing officer is safer and easier when there is no trouble, and there is hardly any body of men in the country less anxious for trouble than the officials of the regular unions. There are times and conditions, however, when a strike may be forced upon the official by the rank and file or by an anti-administration group in the organization. . . .

A great deal has been written about the money cost of strikes to business and to the worker, but this cost is not usually what it seems. The cost to the worker is figured by multiplying the number of days on strike by the daily payroll and the cost to the business in similar fashion. This assumes that business would have been carried on at capacity if there had been no strike, but this is seldom the case. If business is active the strike will be short either because the employer will be able to fill the places of the strikers or a settlement will be reached. If business is in-

active the strike will cost little to either side. It is well, therefore, to discount figures of loss of wages and profits because of strikes. A depression strike in the summer may simply take the place of unemployment, but unlike unemployment it may mean a considerable gain rather than an irretrievable loss in status and morale. This does not mean that strikes are not often expensive but only that they are frequently much less expensive than the published figures indicate.

On the psychological side the losses and gains are equally difficult to estimate. While it is theoretically true that in many cases there is no loss in annual income because of depression strikes, it is also true that the mass of factory workers, miners, and others have no surplus with which to tide over a period in which there is no income at all. They are carried by strike funds, where there are any, and by public or private charity, and in most cases for this class of workers there is not much difference between the two. It is easy, however, to exaggerate the pauperization of the worker resulting from receiving strike relief. There is probably no such pauperization except among the older people who have no feeling of solidarity outside the family and are distressed at having to receive outside aid. But among the young, the emotional value of strike experience is often a clear gain and it is perhaps not much of an exaggeration to say that unless we can control and limit the discipline of machine labor and adjust it to human needs the strike is a necessary emotional release from mechanization. Certainly there are few people who are so obviously happy as young strikers who achieve some degree of prominence. This is seen in most strikes among the unorganized and though it is a compensation and therefore not the best form of self-expression it is better than none at all.

But there must be set over against the

emotional releases of many of the younger strikers the great sense of inferiority and degradation of the mass. While in meetings and demonstrations some degree of exaltation is experienced, the plain fact is that the striker is an outlaw and is treated as such. Where meetings are broken up often by violence; where mass picketing is prohibited or attacked; where the worker is not allowed near "his shop"; where there is public fear and suspicion, a mental resentment is created which turns readily into bitterness against everyone concerned, employers, public, police, and strike or union leaders. This is not necessarily permanent any more than was the resentment of all enlisted men against sergeants, staff officers, and Y.M.C.A. secretaries in the army. But it is more permanent than the excitement of the meetings and parades, and in some cases creates a stolid, apathetic misanthropy.

It is the physical loss to the strikers which is most often stressed by their sympathizers. This is undoubtedly great enough but it may be of less significance than the spiritual values discussed above. Strikers and their families are assaulted, starved, ejected from their homes, rounded up in bull pens, forced to live in tent colonies, jailed, beaten and murdered. From the standpoint of the humanitarian these are the most important things in a strike. The result is that practically all attempts of sympathetic outsiders to deal with strikes are attempts merely to "settle." And here they frequently come into conflict not so much with the labor leader as with the rank and file. The rank and file will "settle" but they usually want to settle "right," to win. Their resistance is often broken down, it is true, but they will hold out long after the outsider has accepted compromises or even defeat on their behalf. Is it strange then that the people who bear most of the physical suffering of a strike are often the last to

accept defeat or compromise? They cannot be said to be less intelligent than the outsider, because the outsider is obviously affected chiefly by his emotions. Is it then the feeling that a prolonged protest even if it loses is better, in spite of physical losses, than a quick compromise or surrender, because of the warning the former gives the employer that further wage cuts, lengthening of hours, or whatever it may be, cannot be made with impunity or accepted without a struggle?

Strikes have been analyzed from the standpoint of "cause," which usually means such immediate things as wages, hours, discrimination, etc. It is perhaps better to describe them on the basis of their conditioning. On this basis there are five kinds of strikes: depression strikes, organized and unorganized; prosperity strikes; organization strikes; predatory strikes; and general or revolutionary strikes.

DEPRESSION STRIKES

. . . Practically all depression strikes are the result of tightening up on the part of management in an attempt to squeeze profits out of a declining business. This involves wage cuts, changes in methods of work, usually requiring more work than is customary, increased discipline, longer hours, fines and other penalties. An accumulation of pressures is capped by a wage cut and the people walk out. They walk out without previous preparation, with little or no organization, and no strike fund. They usually walk out without leaders except the few who arrive from their own ranks. They may be later somehow organized by left-wing "agitators" who arrive soon after the strike breaks, and the officials of the unions which may be in or near the field. . . .

Depression strikes are seldom won. They frequently begin in the spring or summer and end with the coming of cold weather.

Public sympathy is their main reliance but public sympathy is a fickle thing and it is practically impossible to get publicity unless there is rioting. . . . But if depression strikes are seldom won they are nevertheless worth while to warn wage-cutting employers on the one hand and to maintain some degree of self-respect among the workers.

PROSPERITY STRIKES

Prosperity is usually accompanied by rising prices. Wages are more stable than prices for various reasons, and strikes to force wages upward to meet the rising costs of living are among the most common and most successful of all strikes. . . .

THE ORGANIZATION STRIKE

Strikes originating in dual unionism or jurisdictional disputes are of this political or organizing type. These are the least justifiable of all strikes and have done much to injure unionism. Jurisdictional strikes arise when two organizations claim the same work or personnel. They bear heavily upon the union employer, who frequently is unable to recognize either union without getting into trouble with the other.

THE PREDATORY STRIKE

The predatory strike is most common in the building industry and comes under the general category of racketeering. It is not really a strike at all but a gesture intended to force a contractor or other employer to "come across" when he is working under a time contract in a closed-shop field. The time contract and the weakness of the employer make him helpless. He pays sometimes in the form of higher wages or better "conditions" and sometimes in the form of bribes. . . .

GENERAL (REVOLUTIONARY) STRIKE

The "general" strike is either a sympathetic walk-out of all workers in a par-

ticular industry or of all workers in a particular community, city, state, or nation. Its purpose is not to secure special terms or conditions in industry but to demonstrate labor power, to create solidarity, and to affect industrial and governmental policies. The trouble with the revolutionary strike is that it creates an opposing solidarity among the non-industrial classes when conditions are not "ripe" for successful revolutionary action. . . .

WILLIAM GRAHAM SUMNER¹

Strikes

William Graham Sumner (1840-1910) was a pioneer American sociologist, professor of political economy and social science for many years at Yale University. His influence over his students has continued to the present time.

Strikes are not necessarily connected with violence to either persons or property. Violence is provided for by the criminal law. Taking strikes by themselves, therefore, it may be believed that they are not great evils; they are costly, but they test the market. Supply and demand does not mean that the social forces will operate of themselves; the law, as laid down, assumes that every party will struggle to the utmost for its interests—if it does not do so, it will lose its interests. Buyers and sellers, borrowers and lenders, landlords and tenants, employers and employees, and all other parties to contracts, must be expected to develop their interests fully in the competition and struggle of life. It is for the health of the industrial organiza-

¹ Maurice R. Davie, *Sumner Today*, reprinted by permission of the publishers, Yale University Press, New Haven, 1940, p. 63.

tion that they should do so. The other social interests are in the constant habit of testing the market, in order to get all they can out of it. A strike, rationally begun and rationally conducted, only does the same thing for the wage-earning interest.●

JOHN MITCHELL¹

The Nature of Strikes

John Mitchell (1870-1919) preceded John L. Lewis as president of the United Mine Workers and vice-president of the AFL.

A strike is simply a method of bargaining. If the grocers of a city would refuse to sell their sugar for less than seven cents a pound and the consumers would refuse to pay more than six, exactly the same thing would occur as happens in an ordinary strike. A strike does not necessarily involve animosity, hatred, dissension, re-crimination, or any form of bitterness; it merely represents a difference between what the buyer of labor is willing to offer, and what the seller of labor is willing to accept. Until the buyer and seller of an ordinary commodity are agreed as to price and conditions, no sale can be effected. Until the wages and conditions of work are agreed upon and acceded to both by employer and workman, the industry must stop. . . .

It is frequently stated that trade unions desire strikes because, it is alleged, they are organized for this purpose. This, however, is not true. The trade union is organ-

ized for the purpose of securing better conditions of life and labor for its members, and when necessary, a strike is resorted to as a means to that end. But it can no more be said that trade unions desire strikes because they are equipped for them, than that the United States desires war because it has an army and navy. . . .

It is admitted on all sides that strikes are to be avoided in all cases where the object desired can be obtained by peaceful negotiation. There is nothing immoral, however, in the workingman's striking, just as there is nothing immoral in his wanting higher wages. People with no interest in a labor conflict and inconvenienced by a strike, are liable to display an impatient irritation at workmen, who seem to be striking all the time and for no sufficient cause. It is true that strikes are occasionally called for light and trivial reasons, but the cause of a strike may be far deeper and far more important than the immediate incidents or occasions which precipitate the struggle. People frequently claim that workmen should never strike when the injury to be avoided or the gain to be secured is less than the cost of the strike, but if men were not willing, at least occasionally, to make great sacrifices to prevent even small losses, unscrupulous employers would take advantage of their unwillingness to strike. The principle of trade unions, as of all other organizations, should be "Millions for defense, but not one cent for tribute." Frequently workmen are subjected to a long series of petty aggressions by employers, who believe that no single one of these encroachments will be sufficient to provoke the men to strike. It is the last straw that breaks the camel's back, and a strike attributed to an apparently insignificant incident may be the outburst of pent-up

¹ John Mitchell, *Organized Labor*, American Book and Bible House, Philadelphia, 1903, pp. 299-302.

feelings, resulting from months or years of repeated aggressions. The man who, in his haste, declares that a strike is ill-considered, because its immediate cause is slight, may be as wrong as the judge who, to discourage useless litigation, might decide against all plaintiffs in small cases, and would thus hold back the poor from the fountain of justice.

EDWARD LEVINSON¹

Sit-Down Strike

The story of a typical sit-down—so easy to organize and usually so speedy in its results—explains the popularity of the method with a large section of American labor. The example is drawn from Flint, the perfecter of sit-downs. Friday, the 12th of November, 1936, was an ominous day for the General Motors Corporation. The auto union had been ploddingly building its membership in Fisher 1. On the evening of the 12th, hundreds of workers went to a store across the street which had been rented by the union and signed application cards. The next morning three welders came to work to find their time-cards missing from the rack. That meant, as they would be told upon inquiry, that they had been fired. A fourth union man protested to the foreman. He too was fired. As he was being paraded through the plant to the gate, he passed Bud Simons, torch solderer for G. M. and torch bearer for the union in Fisher 1.

"Where are you going, Sam?" Simons inquired.

¹ Edward Levinson, *Labor on the March*, Harper & Brothers, New York, copyright 1938 by Edward Levinson and reprinted by permission, pp. 175-79.

"You come along, too, Bud," the foreman said.

Simons complied, but as he walked the length of the belt-line his glance communicated a message. Each worker wiped his hands on his overalls, turned from the moving row of Chevrolet bodies and joined in a sit-down strike. The news spread through the plant. By the time Simons had reached the end of his "last mile," seven hundred men were idle. A committee of workers hastened after Bud Simon and the foreman. They met in the office. Simon noted the arrival of the committee and turned to the plant manager.

"Mr. Parker," he said, "you are now talking to a union."

While the manager was recovering from his surprise, the sitters were formally voting, *vive voce*, they would not resume work until the discharged men had been returned to their jobs. And they insisted also that they be paid for the time they had been "sitting." After slight deliberation, both demands of the men were met and work was resumed—but not until the lesson of the power of the auto union had been driven home. Sit-downs proved also an effective check on the speed of the line in mass production plants. During October, 1936, the foreman at General Motors' Delco-Remy plant in Anderson, Indiana, announced that the number of armatures to be finished per hour was to be increased from 32 to 35. The union leaders had discussed the problem of the speed-up before and decided to resist any further increases in the work load. The union leaders spoke up, calling on all to "sit tight" until the foreman's order was recalled. He was stubborn. Before the 400 sitters, all of them women, had resumed their work, they were required to produce only 29 units an hour.

Not all of the strikes were spontaneous. Many were carefully planned in advance and the job of determining the hour and the circumstances handed over to the discretion of a captain or several captains placed throughout the factory. The Exide-battery workers who struck at the Electric Storage Battery Company came to work, following a secret union meeting, loaded down with magazines, food, blankets, books, decks of cards, violins, accordions, banjos and saxophones. Preparations for one of the Woolworth Five-and-Ten strikes included the distribution of mimeographed instructions:

What to Do in Case of Sit-Down

The strike starts at a signal given by some authorized member of the union. Upon receiving the signal, you will finish whatever you may be doing at the moment. Then you will stay at your post, fold your arms, and inform any customer who may want to be waited on that you are on strike. There will be no more waiting on customers.

After the store has been emptied of customers, some one who has received instructions from the union will explain them to you.

During the Sit-Down It Is Important to Remember the Following

1. Maintain rigid discipline.
2. Unity in your ranks.
3. Elect a strike committee, with a chairman. This committee is to be in complete charge while in the store. This committee shall meet daily.
4. Elect a picket committee. This committee is to be in charge of all people entering or leaving the store. They will assign which strikers shall be stationed at the door. This will work in one-hour shifts.

5. No person is allowed to enter the store without an official union credential, or leave without permission of the strike committee. Collect all credentials immediately and hold them.

6. There is to be absolutely no damage done to any of the store's property.

7. Anyone wishing to use any of the merchandise in the store will pay for it as they did ordinarily. Elect one person to be in charge of collecting the money.

8. If any of you are approached by a petty boss or manager do not converse with them, but refer them to the strike committee.

9. If any new problem comes up of which you are in doubt, call the union immediately—Gramercy 5-8875.

The sit-downs, easy to start, were somewhat harder to keep going, and here expert planning was needed. The first problem was to stay in the plant. The auto strikers developed a corps of barricade-builders. One has related the first hours of the sit-down at Kelsey-Hayes: "That morning we barricaded the Kelsey gates. The main gates were blocked by a solid three-foot-high wall of steel, formed from a dozen carefully placed steel containers. We loaded each container with a couple of tons of hub-castings—about the weight of a brick—and behind the barricade we set a dolly-load of eighteen-inch T-irons. . . ." The plant insured as far as possible against easy capture, the sitters then tackled the problem of food, discipline, of complete self-government. Hundreds and sometimes thousands of men in a plant for days and weeks developed problems. Plant government followed a general pattern. At the top there was the general assembly which met at least once a day to discuss new problems, check on committees, counsel with union leaders and perfect and maintain the defenses.

An executive committee ruled in between sessions and acted as a trial board for sitters who violated sit-down rules. In the Fisher 2 and Cadillac sit-downs, during the G. M. strike, disciplinary powers were vested in a kangaroo court over which elderly auto workers, noted for their judicial minds, presided. Punishments meted out ranged from fines of small change and cigarettes, to exclusion from the plant for more serious offenses.

Chief of the committees after the executive was the patrol or picket committee. In Fisher 1, this group was known as the police department and the "chief of police" received far more consideration than the sheriff or any of his minions. Contact committees maintained communications with strike headquarters, a particularly difficult task where police or militia barred persons from entering the plants. Picket or patrol committees checked on all doors, gates and approaches to the plant; they ferreted out the violators of the universal rules against smoking or drinking alcoholic liquor in the plants. This committee also had the job of keeping all false rumors out of the plant. This gave it the right to examine food, blankets, or notes which wives or other relations might deliver for the sitters. Visitors, excepting sympathetic fellow unionists in time of possible attack, were barred. This rule rigidly applied to women. Where women and men took part in a sit-down strike, the rules on chaperonage were extremely severe.

All plants had their sanitation committees, maintained for the dual purpose of making the sitters comfortable and earning the respect of the community which might believe stories of damage done to plant or machinery. The kitchen committee was one of the dynamos of the sit-

down strike. It received milk-pails of coffee or milk, pails of stew, fruit, and cigarettes from the union kitchen, usually located in a store adjacent to the plant. The committee served the meals where possible using company cafeterias. A rule which Flint and Detroit sitters set and which prevailed universally was that no company food or cigarettes which might be around were to be touched. Most famous sit-down cook was Max Gazen, who, with Mrs. Henry Kraus, his assistant, sometimes prepared as many as 5,000 meals a day for hungry sit-down strikers. In some plants, educational committees flourished, but more often the strikers favored the efforts of the entertainment committees which provided shows, dances, and music. Almost every large factory held by sitters produced a band, sometimes only an accordion and a mandolin, frequently an aggregation that included guitars, mouth organs, and saxophones, as well as the inevitable "squeeze box." The auto sitters' bands applied themselves most diligently to mountaineer airs, homespun hill-billy lyrics with parodies singing the praises of the union and of solidarity. Popular in Detroit was the song composed by Maurice Sugar, the auto union's general counsel. It epitomized the sit-down as the workers' infallible prescription for all his complaints:

When they tie the can to a union man,

Sit down! Sit down!

When they give him the sack they'll take him back,

Sit down! Sit down!

When the speed-up comes, just twiddle your thumbs,

Sit down! Sit down!

When the boss won't talk don't take a walk,

Sit down! Sit down!

UNITED STATES BUREAU OF LABOR STATISTICS ¹

Work Stoppages in the United States, 1916 to 1946

Year	Number of work stoppages	Number of man- days idle (thousands)	Index of man- days idle (1935-39 = 100)
1916	3,789		
1917	4,450		
1918	3,353		
1919	3,630		
1920	<u>3,411</u>		
1921	<u>2,385</u>		
1922	<u>1,112</u>		
1923	1,553		
1924	1,249		
1925	1,301		
1926	1,035		
1927	707	26,219	155
1928	604	12,632	75
1929	921	5,352	32
1930	637	3,317	20
1931	810	6,893	41
1932	841	10,502	62
1933	1,695	16,872	100
1934	1,856	19,592	116
1935	2,014	15,456	91
1936	2,172	13,902	82
1937	4,740	28,425	168
1938	2,772	9,148	54
1939	2,613	17,812	105
1940	2,508	6,701	40
1941	4,288	23,048	136
1942	2,968	4,183	25
1943	3,752	13,501	80
1944	4,956	8,721	51
1945	<u>4,750</u>	38,025	224
1946	<u>4,985</u>	116,000	686

¹ United States Bureau of Labor Statistics, "Work Stoppages in the United States, 1916 to 1946," *Monthly Labor Review*, May, 1946, and *Monthly Labor Review*, August, 1947.

WILFRID H. CROOK¹

General Strike

Wilfrid H. Crook is professor of economics at Colgate University.

General strike involves the sympathetic cessation of labor by the majority of the workers in all the vital industries of any locality or region. The term cannot properly be applied to generalized strikes within single industries. On the other hand, the assertion that there has never been and cannot be a genuine general strike rests on the arbitrary assumption of a completely universal cessation. The vital element in the general strike, whether it involves an entire nation or is restricted to a single locality, is the more or less complete paralysis of the economic life of that community in order to bring about certain desired ends. These ends determine the classification of the general strikes which have occurred. The general strike may be economic, aimed at the redress of specific injustices in industrial relations, sympathetic in nature and directed at the outset at least against employers. Or it may be invoked as a weapon to wrest some new constitutional right for the working population; in this instance it is directed against the government and is political and reformist in character. Finally, it may be considered the opening wedge in a revolution against the entire established order, in which case it is revolutionary in character. It is obvious that these lines of demarcation are not always clear and may be obliterated in the course of the strike. . . .

It was only, however, with the advent

¹From Wilfrid H. Crook, "General Strike," *Encyclopaedia of the Social Sciences*, copyright 1931 by The Macmillan Company and used with their permission, Vol. V, pp. 607-12.

of industrialism that the full force of the general strike as an economic and political weapon was realized. Credit for conscious advocacy of a strike which was something more than a revolutionary demonstration probably belongs to the Chartist pamphleteer and free lance agitator, William Benbow, who in 1832 advanced the idea of a Grand National Holiday or Sacred Month of the working classes for the purpose of reforming society. In 1842 an attempt was made to put this in practice in Richard Pilling's unsuccessful Plug Plot; factory boilers were unplugged and workers "pulled out" in several counties, but the strikers were deserted by the Chartist political leaders. . . .

The general strikes of 1919 in Winnipeg, Canada, and in Seattle, Washington, were sympathetic protests against the lowering of standards by employers once the pressure of war shortage was relieved. If the war had resulted in a strengthening of labor forces it had as well demonstrated to citizens' committees and "minutemen" their capacity for action. The six-day Seattle strike and the six-week Winnipeg strike were both hailed as Bolshevik outbursts; but although the American Federation of Labor was undoubtedly opposed to them, as it always had been opposed to the general strike, these strikes were genuine trade union protests and inspired as much by the membership as by the officials. In Winnipeg a citizens' committee of 1000 ran the fire, water and police services; the strike ended in rioting and the arrest and sentence of some of the leaders. Both strikes were remarkably well managed by the unions in the matter of providing commissaries and the like. Outside of movements for general strike demonstrations, however, there is little or no vitality left to the general strike notion in the United States and Canada, especially since the decline of the I.W.W.

The overwhelmingly significant eco-

conomic general strike was that of May, 1926, in Great Britain. Many threats of a general strike had been made in the years from 1919 to 1921 by the "Triple Alliance" and by the "Council of Action." The final threat ended in the fiasco of "Black Friday." The general strike of May, 1926, was the inevitable outcome of the intentionally provocative strategy of the Conservative cabinet. The Trades Union Congress had threatened a general strike in sympathetic protest against the national lockout of the coal miners on April 30, 1926, and to the surprise of the leaders of labor this challenge was accepted by the government. Although there was little or no preparation by labor, 3,000,000 workers, representing the vast majority in rail and road transport, in dock and harbor work, in the printing trades and the press and to a lesser degree in the building, iron and steel and heavy chemical industries, obeyed the strike call and for a while completely paralyzed economic life. The government, however, was well prepared for the strike and for emergency transport of foodstuffs by road and rail. The middle and upper classes had organized in the Order for the Maintenance of Supplies (OMS). The navy was extensively used, although absence of press information kept this knowledge from the public. There was much talk by members of the Baldwin cabinet of civil war. The courts were invoked and the Astbury decision of May 11 declared that the strike was illegal.

These measures may have caused consternation but they were not as effective in the breaking of ranks as the conciliatory offices of the more moderate Sir Herbert Samuel, who had been chairman of the 1925 Royal Commission on the Coal Industry and who now came forward with somewhat unofficial offers of settlement of the miners' grievances. The General Council of the Trades Union Congress

recommended their acceptance, but the miners refused; and on the following day, May 12, although there was little evidence that the ranks of the strikers were seriously weakened, the General Council called off the strike. The miners remained on strike for months afterward, ultimately yielding piecemeal to the pressure of starvation and complete defeat. The ranks of labor felt themselves badly deserted at the conclusion, and only the rail and transport workers' stubborn refusal to return to work until better terms had been granted prevented the affair from becoming a rout. Nevertheless, in the following year the delegates to a special convention of the Trades Union Congress approved the action of their leaders by a large majority.

The aftermath of the general strike was two-fold: a reactionary Trades Disputes Act declaring general strikes illegal was made law in 1927; and an attempt was made by liberal capitalists and the General Council to achieve some practical degree of cooperation between capital and labor, known as the Turner-Mond scheme. Opposition from the more conservative employers' associations nullified their efforts. The actual cost of the general strike to the government did not exceed \$2,000,000, but the strike and the coal dispute cost the nation \$400,000,000 in revenue and the nation's business over \$2,000,000,000. Trades union funds were very seriously depleted and a vast army of men left on the labor market for months after the strike ended. Save for an amazing sense of labor unity and power during the actual days of the general strike, which perhaps had its reverberation in the Labour government's accession to power in 1929, it is doubtful if the dispute resulted in any gain. It cannot even be claimed that revolutionary fervor has been increased, for despite the rise of certain radical leaders to power the strike was marked by its

lack of revolutionary spirit and its insistence on the economic and social ends.

From this partial account it is obvious that general strikes have been called in many countries by varied groups and under varying circumstances. Trade unionists, moderate socialists, syndicalists and communists have alike resorted to the instrument, either as a defensive or an aggressive measure. The strikes have ranged in length from the three-day strike in Italy in 1914 to the two-month Chinese strike. There has been a wide variety of opinion among leaders as to preparation and strategy. The advocates of economic and political strikes have stressed the necessity for careful planning on the part of the leadership; to revolutionists like Trotsky and Luxemburg, on the other hand, the only effective general strike was one which was not the product of long organization and the arbitrary fiat of leaders but one in which the revolutionary energy of the ranks of labor provided the real motive force. The original advocates of the general strike realized the oppressive powers of government but could not foresee the resourcefulness which capitalistic industrialism provides. As the use of road and air transport increases; as the radio provides a substitute for the telephone, telegraph and mail; as the professional and leisured classes are organized into citizens' committees not only of a generalized type but highly specialized, like the Technische Nothilfe of Germany, the inevitable revolutionary logic of the general strike will no doubt have to be frankly faced by its advocates. The success of the revolutionary strike in Europe has been shown to be partially dependent at least on the spirit of revolt in the military, naval and police forces; the existence of such a spirit in western nations is highly doubtful. Despite all these reasons and the record of failure in the past the weapon is hardly likely to be disregarded when in moments of des-

perate protest the workers feel that other avenues of appeal have been deliberately blocked or destroyed.

JOHN MITCHELL¹

The Sympathetic Strike

While opposition to strikes as such is diminishing, there is still much disapproval of sympathetic conflicts, in which men strike, not to better their own conditions, but in order to express sympathy and grant aid to men unconnected with them, who are engaged in an industrial conflict. The public feels in a general way that sympathetic strikes are vicious and foolish and that they should be put down on all occasions.

To a certain extent and to a certain extent only, the public is justified in this attitude. Of course there are sympathetic lockouts as well as sympathetic strikes, though less is heard of the former. The opposition to sympathetic strikes arises from the fact that in actual practice they sometimes involve a breach of contract and from the further fact that the sympathetic strike is usually too remote and has too little bearing upon the main point at issue. Where a sympathetic strike involves a violation of a contract, it should under no circumstances take place, and this is true also of a strike which is not sympathetic. The right to strike, to strike sympathetically, or to boycott can never exist where such action involves a violation of an agreement with employers.

Another objection to the sympathetic strike is the fact of its remoteness. The public may sympathize with oppressed

¹ John Mitchell, *Organized Labor*, American Book and Bible House, Philadelphia, 1903, pp. 303-05.

tailors who are struggling for better conditions, but it will not sympathize with waiters, teamsters, bricklayers, or railroad employees, if by any chance, they strike sympathetically with the Garment Workers. The public finds in the original quarrel no justification for the intervention of the new unions, and it fears that by means of sympathetic strikes a conflict originally limited in scope may become extended so as needlessly to involve the entire labor world.

Upon the whole, therefore, sympathetic strikes should not be encouraged. The caution which a wise labor leader exercises before involving his union in a strike should be multiplied manyfold in the case of an intended sympathetic strike. There are times, however, when sympathetic strikes are not only justifiable, but actually noble. A wise sympathetic strike which involves no violation of contract, and is of such a nature as directly and powerfully to influence the result of the original conflict, a strike carried out, not for the immediate good of the members of the union, but for that of other workmen, emphasizes, as no other even in industrial life, the universal brotherhood and solidarity of labor. There is nothing inherently and necessarily wrong in doing for others what we would that they should do for us, and a strike is not made immoral by the fact that the strikers permit others than themselves to be the gainers thereby. It sometimes happens that the weaker organizations, composed of oppressed workmen (and the more oppressed they are, the

weaker their unions are apt to be), can only secure reasonable and humane conditions by and through the assistance of workmen in other unions. In certain trades, moreover, where the unions whose members are engaged upon the same work are not affiliated, it may be necessary to involve all workers in a strike in which any one union is engaged, although, in such cases, it is better to secure uniformity by federation and by agreements binding all the unions equally. Some unions, in order to preserve their right to strike sympathetically—where such action is deemed essential to the welfare of the whole community—contract especially for this contingency and reserve this privilege in making their agreements. This is not unlike the strike clauses in contracts which one employer makes with another and which renders the contract or certain of its conditions void in case one of the parties thereto has a strike.

There can be no doubt, however, that upon the whole and in the long run, the policy of striking in sympathy should be frowned upon and discouraged. It should not be permitted at all where it involves a violation of a contract or where its influence will not be direct, powerful, immediate, and beneficent, not only to the man on strike, but to the community. Finally, in any and every instance, sympathetic strikes should be resorted to only in the most extreme cases and where the conditions fully and clearly indicate the necessity of making an exception to a settled policy.

OTHER UNION TECHNIQUES

HARRY W. LAIDLER¹

Boycott

Harry W. Laidler (1884-) is executive director of the League for Industrial Democracy, and author of many works on the development of social movements.

A boycott is a concerted effort to withdraw and to induce others to withdraw from economic or social relations with offending groups or individuals. While the practise of boycott has been resorted to in one form or another for many centuries the term itself is comparatively recent, having been taken in 1880 from the name of Captain Boycott, one of the most hated of the landlords' agents during the agitation against landlords by the Irish Land League. Boycott's tenant farmers had under protest completed the harvesting of his crop on reduced wages. Nevertheless on rent day Boycott sought to evict them, whereupon they held mass meetings and persuaded all of Boycott's employees to desert him and have no further relations with him or his family. This ostracism became wide-spread and of national significance. The designation of the action as a "boycott" was coined by Father John O'Malley, an Irish priest, and James Redpath, an American journalist. Shortly thereafter the boycott as an important weapon in labor disputes was adopted in the United States by the Knights of Labor. This term is now internationally used. The

boycott has been widely employed as a punitive economic and social weapon by various groups—by the members of a national or racial group, by organized groups of consumers, by groups of business men, by labor organizations. When used by employers against labor it is generally known as a blacklist. When the gesture of non-cooperation is a concerted withdrawal from activities, industrial or political, it is designated as a strike.

The essential element which underlies the various characteristic forms of the boycott is the effectiveness in economic and political struggle of a weapon which through consumers' power and by other methods restricts the market. Under the present economic organization the insistent need of a continuing market for the flow of goods and services presents an aspect of considerable vulnerability; and the diminution of profits through refusal to purchase or patronize may represent a blow considered more serious socially than open conflict. Often, as in the case of consumer boycotts, the boycott is used because no other weapon is available. But the recognition of its effectiveness as an instrument of coercion has often led groups in nationalistic or industrial struggles to use it in preference or as a supplement to other tactics, such as strikes or rebellion. Its initial non-violent character has often recommended it also on ethical grounds. To supplant the use of economic power the social phase of the boycott is often added in the form of ostracism of the offending individuals and their families. The social boycotting of scabs in labor disputes and of resident enemy aliens during wartime may be cited as instances.

¹From Harry W. Laidler, "Boycott," *Encyclopedia of the Social Sciences*, copyright 1930 by The Macmillan Company, and used with their permission, Vol. I, pp. 662-66.

Since the effectiveness of this phase of the boycott depends on the degree of social interdependence obtaining, its importance has been limited mainly to small communities. . . .

Boycotts have been employed by consumers as means of reducing prices, of improving quality, of protesting against the conditions of labor involved in the production or marketing of the goods or services, or of punishing the seller of the goods for past offenses. These boycotts do not have as large or as lasting a psychological appeal as the other types and are difficult to maintain for more than a few days, since they soon cease to be news and their continuance seems to involve a sacrifice in time or effort greater than any possible gain therefrom. The temporary nature and limited appeal of most consumers' organizations and the increasing complexity of our economic structure affect especially this type of boycott. Consumers' leagues have more frequently used the negative and legally sanctioned form, the white list. Although business men avoid the term "boycott," perhaps because of the opprobrium attaching to it in labor disputes, in practise they often make use of the trade boycott against other business men whose practises are adjudged inimical to the interests of the group.

In the United States the boycott is generally associated with labor disputes. It was most widely used by American labor during the years 1880 to 1908. In the earlier part of this period the Knights of Labor emphasized and encouraged its use as one of labor's most effective weapons. Many boycotts were put into effect in California against Chinese labor; elsewhere boycotts were organized against products of convict, child, female and other forms of labor difficult or impossible to influence by other means. The products most frequently subject to boycott were necessities and inexpensive luxuries purchased by

working class consumers, such as bread, newspapers, hats, cigars, beer and shoes. Since the local units of the Knights included workers of various trades and professions, consumers' pressure was especially effective. New York was the center of these efforts and from 1885 to 1892 over 1300 boycotts were recorded by the state Labor Bureau. During the late eighties boycotts were placed more and more frequently under the legal ban. The resultant prosecutions combined with its loss of membership led to a diminution in the use of the boycott by the Knights of Labor during the remaining years of its existence. . . .

PRIMARY AND SECONDARY BOYCOTTS

The legal classification of boycotts into primary and secondary has proved especially confusing. Primary boycotts in labor disputes have been held to include cases in which the refusal to patronize was directed against the offending employer only. Even prior to the Clayton Act the courts had held for the most part that mere withholding of patronage is not unlawful, and that the announcement or publication of such a purpose is within the rights of those who agree together even though it results in the injury of those against whom the acts are directed. By their very nature, however, such boycotts were rarely used and were unimportant. Practically all boycotts involved not only agreement to refuse to patronize the offending employer but an effort to induce third parties to cease their patronage, and were therefore "secondary" or at times even "tertiary" boycotts. . . .

In more recent years the building trades have often employed the boycott, refusing to work with material from non-union mills, and where this has proved ineffective have followed it with an actual withdrawal of their labor. At present the boycott is being used sparingly by labor,

largely on account of the legal decisions and the increasing expense involved in carrying on a successful campaign, particularly against firms operating on a national scale. . . .

The success of the boycott depends upon a large number of factors; perhaps the most important is the force of its appeal, which in turn depends upon the nature of the situation in which the boycott emerges; probably no boycott has greater psychological appeal than that employed in national and racial conflict, and none has a more quickly perceptible effect. The strength, intelligence and vigor of the boycotting organization or group is pitted against the power of the boycotted group. The vulnerability of the latter depends upon such factors as the character of the commodity or service boycotted, the nature and extent of the market, the elasticity of demand, the rate and frequency of the sale or use of the commodity and the readiness with which it may be distinguished from others. Consumers' and labor boycotts become less effective as the originally simple methods of conducting them no longer suffice against firms of national scope whose products are used by vast masses of disinterested groups in an economic system of ever increasing complexity.

J. R. ROBERTSON¹

J. R. Robertson (1905-) is first vice-president of the International Longshoremen and Warehousemen's Union CIO.

¹J. R. Robertson, "On-the-Job Activity Helps Make Contracts Effective," *The Dispatcher*, May 16, 1947. This selection is from a series of articles by Mr. Robertson and should not therefore be considered as indicative of his over-all point of view on contract administration.

On-the-Job Activity

When a new shop is organized and a contract negotiated and signed, many members are under the impression that no other gains can be won until contract negotiation time rolls around again. This is far from true. Making the contract effective on the job and winning improved job conditions are year-round work for the stewards and the membership.

At Hill Brothers Coffee, a 5-cent differential existed between men's and women's wages. This was taken up as a grievance. The committee threatened to slow down the work about 35 per cent, whereupon the boss said he would fire them if this happened. He didn't fire them and two weeks later the women won their extra 5 cents per hour.

At the same plant no Negro worker was listed on the seniority roll. When questioned the boss evaded answering, just vaguely stating that the company didn't practice discrimination. The Union went to bat on this issue and the 35 colored workers won seniority on the same basis as all other members.

At a rice mill when additional men were needed they were sent from the union hiring hall. The steward noticed that whenever a Negro was sent, he was never kept a second day, so he called the hiring hall and told the dispatcher to send only Negro workers in answer to the company's request for additional men. The employer's discrimination was broken down.

At Upjohn's the grievance committee presented 17 grievances to the company, including a demand for a new ventilation system costing thousands of dollars. The union committee called the Industrial Accident Commission to inspect the dust from wrappings and other industrial health hazards. Backed by this

Commission, the union won the new ventilating system as well as new type wash basins, steel lockers, a new lunch-room and better lighting equipment.

COMPANY SEES LIGHT WHEN PRODUCTION DROPS

At Safeway, the first warehouse of its kind in San Francisco, the union's problem was mechanization. This warehouse is 600 feet long and 100 feet wide, all on one floor with oldtime methods completely eliminated. All goods are moved on pallets with lift jitneys and tractors pulling small freight cars. This equipment was installed at the end of the war with the company committed to make certain adjustments, but they stalled discussing their modernization with the union. When pinned down by a union committee, management said there was nothing in the union contract dealing with mechanization.

Suddenly production dropped. Then the company agreed to make a survey of the duties and responsibilities of mechanization. Production took another drop. The company offered an increase of $2\frac{1}{2}$ cents per hour for 20 per cent of the workers. Production dropped still further. Finally the union won wage adjustments for 70 per cent of the employees, ranging from 10 to 15 cents per hour.

At the Security Warehouse in San Jose a steward objected to the men having to take their rest periods at the convenience of the company. The workers agreed to stop whatever they were doing at a particular time and meet in a central place to take rest periods together. They spent their time discussing conditions on the job.

Rest periods at the convenience of the men were won, also hot coffee with the company furnishing both coffee and equipment. In this case the fellows on the job had to be convinced of their rights even before the employer.

In California the state laws say that management must provide seats for women workers. When management complained that because of the war they couldn't buy them, the union told them where they could be purchased. Result—the women got chairs.

In Crockett, at the C. & H. refinery, an active group of foremen and checkers held key union positions and were good union men. Their problem was having to start work before 8:00 A.M. and not getting paid for it. The case went to court with the foremen insisting they were just workers and wanted to be paid for their work. The company contended they were supervisors.

FOREMEN GO TO WORK IN BUSINESS CLOTHES

The foremen began to show up for work in their business clothes and punched their clocks at 8:00 A.M. The entire plant was idle for about 55 minutes every morning before it really got into operation. After about a week of this, the foremen told the company they were only acting as the company had claimed in their court case, which was still pending; they were acting just as supervisors.

The case was settled out of court with about \$5,500 won in back pay. Three of the men involved got \$900 each. Now the men get paid for a half hour overtime each day and have two assistants, whereas before they had done all the work themselves.

In a Redwood City asbestos plant the union forced the company to adhere strictly to upgrading by seniority except in a case where a worker is unable to read and write. Consequently they have a shipping clerk with a sixth grade education, an electrician trained by the company and other such cases of promotions. All fore-

men were originally regular workers in the plant. The result of this policy is an excellent spirit in the plant.

LOUIS ADAMIC¹

Sabotage and "Striking on the Job"

Louis Adamic (1890-) is a Yugoslav-born American writer whose writings have contained penetrating insights into the nature of industrial and social relations in the United States.

In 1920, following my discharge from the Army, I became, under the bread-and-butter compulsion, a young "working stiff" (I was just twenty) with no particular trade. For several months I hung around the employment agencies—the "slave market"—in Chicago. There I met a couple of rather articulate IWW, who, seeing that I was a young ex-soldier, palpably "on the bum," and a "scissor bill" with a radical trend of mind, set out to make me into a class-conscious proletarian, a wobbly. They urged me to give up all ideas of ever being anything else than a working stiff, for the chances of my becoming a capitalist or a bourgeois, in however modest a way, were extremely slender, indeed, almost nil. I was a foreigner, and the number of opportunities was decreasing rapidly even for native Americans. I should make up my mind to remain a worker and devote such abilities as I had to the hastening of the decay of the capitalist system, which was doomed to collapse, they said, within a very few years, whether I joined the IWW or not. I learned of the methods by which, it

appeared, sooner or later the workers would attain to power and abolish capitalism and "wage slavery." At first I did not understand everything I was told. The wobblies used a word—"sabotage"—which, as I recalled, I had read some time before in Frank Harris's *Pearson's Magazine* without knowing its meaning. At the public library I did not find it in the dictionary.

Then, in a dingy IWW reading-room I came upon a little book entitled *Sabotage*, written originally in French by Emile Pouget and translated into English by Arturo Giovannitti, in 1912, while he was in jail at Lawrence, Massachusetts, on framed-up charges for his part as a wobbly leader in the famous textile-workers' strike. There I found sabotage defined as "any conscious or willful act on the part of one or more workers intended to reduce the output of production in the industrial field, or to restrict trade and reduce profits in the commercial field by the withdrawal of efficiency from work and by putting machinery out of order and producing as little as possible without getting dismissed from the job." The book was a sort of wobbly gospel.

In the same reading-room I found pamphlets in which sabotage was discussed from the ethical point of view. A wobbly writer described it as a "war measure" in the conflict between the capitalist class and the working class, and in war everything was fair and moral. The wobblies admitted that sabotage on the part of the workers was no goody-goody method, but defended it on the ground that it certainly was no worse than the methods to which the capitalists were resorting in the economic warfare. If the workers, in their efforts to gain economic advantages, damaged property and destroyed materials, did not the bosses, in the interest of profits, destroy property with a ruthless and careless hand? Have they not laid waste the country's national resources with utter lack

¹ Louis Adamic, *Dynasty: The Story of Class Violence in America*, The Viking Press, New York, 1934, pp. 373-76.

of consideration for their human values—forests, mines, land, and waterways? Did they not dump cargoes of coffee and other goods into the sea, burn fields of cotton, wheat, and corn, throw trainloads of potatoes to waste—all in the interest of higher incomes? Did not millers and bakers mix talcum, chalk, and other cheap and harmful ingredients with flour? Did not candy manufacturers sell glucose and taffy made with vaseline, and honey made with starch and chestnut meal? Wasn't vinegar often made of sulphuric acid? Didn't farmers and distributors adulterate milk and butter? Were not eggs and meat stored away, suffering deterioration all the while, in order to cause prices to rise?

All of this, the wobblies insisted, was sabotage, just as their doings were sabotage; the ethical difference between the worker and the capitalist with their respective forms of sabotage was that the former was open and honest about it, and the latter dishonest, practicing destruction secretly, under the guise of business, the while condemning proletarian *saboteurs* as criminals.

There was another difference. The wobblies preferred that property should not be destroyed; indeed, they were more jealous of its preservation than the capitalists, for at the basis of their philosophy was the idea that the property belonged to them. It was their—the workers'—creation; some day it would be theirs by right of possession; and until that day it should be preserved for them.

These things were openly discussed by the wobblies in meetings, newspapers, and conversation. They didn't care who knew that they believed in and practiced sabotage. Some of them were veritable evangelists of sabotage, for they saw it as almost the only means—but a powerful one—whereby the cause of the underdog could be advanced. One of my wobbly friends said, in effect:

"Now that the bosses have succeeded in

dealing an almost fatal blow to the boycott; now that picket duty is practically outlawed in many sections of the country, free speech throttled, free assemblage prohibited, and injunctions against labor are becoming epidemic—now sabotage, this dark, invincible, terrible Damocles' sword that hangs over the head of the master class, will replace all the confiscated weapons and ammunition of the workers in their war for economic justice. And it will win, for it is the most redoubtable of all, except the General Strike. In vain will the bosses get an injunction against strikers' funds, as they did in the great Steel Strike—sabotage, as we practice it, is a more powerful injunction against their machinery. In vain will they invoke old laws and make new ones against it—they will never discover sabotage, never track it to its lair, never run it down, for no laws will ever make a crime of the 'clumsiness and lack of skill' of a scab who bungles his work or 'puts on the bum' a machine he 'does not know how to run,' but which has really been 'fixed' by a class-conscious worker long before the scab's coming on the job. There can be no injunction against sabotage. No policemen's club. No rifle diet. No prison bars."

It was some time before I realized how effective—and significant—sabotage really was.

HERMAN FELDMAN¹

When Is It "Racketeering"?

The district attorney in a mid-Western city who has been making a study of labor racketeering states that he is puzzled as

¹ From Herman Feldman, *Problems in Labor Relations*, copyright 1937 by The Macmillan Company, and used with their permission, pp. 302-03.

to what actions to take and what recommendations to make, because it is often so hard to distinguish technically between racketeering properly named and aggressive or selfish union activities which are merely called racketeering. He says that there are "three levels of racketeering," which he describes as follows:

"The first type of racketeering is that which is genuinely run by gangs and racketeers who have no record as labor leaders, but who fasten themselves on an organization because it is a dues-paying proposition and because they can levy tribute on employers. For example, in Chicago a notorious ex-convict got hold of the Newspaper Wagon Drivers' Union and thirteen other unions. The workers were forced to pay high dues, and the employers and others were forced to pay money to prevent strikes from being called. Al Capone in his time got hold of a large number of the unions through terroristic methods. As an example of how far this kind of thing may go, the president of one union was kidnapped and ransomed for \$50,000, and the secretary-treasurer of the Truck Drivers' Union, who refused to sell his secretaryship for a good round sum, was taken for a ride and shot to death.

"In the second level of racketeering are the union leaders who have risen to power from the ranks but have succumbed to the numerous temptations of their office. The easy money gets them, and there are politicians and corrupt employers who are willing to spread them with plenty of it in return for 'advice.'

"A third type is the alleged racketeering of the aggressive, hard-boiled labor union leader who is unscrupulous in his methods of attaining the purposes of his organization, but who himself does not get any illicit profits. Such a labor union official may be getting a high salary, in five figures, from the union, freely granted to

him by the majority. On behalf of his organization he may obtain for the workers very high wages and other conditions and, at the same time, aid employers against competitors who do not observe certain monopoly or trade agreements, whichever you would call them.

"In a great many cases our aid is asked when all that appears to be occurring is that the union-employers and union officers are together trying to get the non-union chiseler into line, so as not to penalize the employer who believes in decent conditions and is willing to do his share in maintaining collective bargaining. Just how to separate this third type of racketeering from legitimate union efforts to get the best industrial conditions for the workers is one of those economic and social problems where knowledge of the law does not help one much.

JOEL SEIDMAN¹

The Borders of Violence

Employers expect unions to abide by their agreements, and are understandably indignant if work is stopped in violation of a contract. Such strikes upon rare occasions may be ordered by a union; in a great many cases, however, they are "wild-cat" strikes that violate union rules as well as the contract with the employer, and constitute one of the most difficult disciplinary problems with which unions must deal. Reference has already been made to the many illegal sit-down strikes that occurred in General Motors plants in early 1937, and to the efforts of the union to cope with them. It is interesting, after

¹ From *Union Rights and Union Duties* by Joel Seidman, copyright 1943, by Harcourt, Brace and Company, Inc., pp. 55-56, 58-59, 59-61, 62, 64-65, 69-72, 77-80.

hearing unions condemned by employers for permitting such strikes, to read a union's appeal to its stewards and committeemen for the elimination of all unauthorized stoppages: "The union is opposed to unauthorized strikes. This is not because a milk and water policy has been adopted. It is primarily because the unauthorized strike or stoppage is undemocratic. . . . A handful of men in a single plant cannot be given the right of involving tens of thousands of workers, without their consent, in a costly and dangerous struggle. That would mean that a contract covering thousands of workers could be broken down at the whim of a few individuals."

When outlaw strikes occur union leaders have several courses of action open to them. If the local engaging in the strike is new and inexperienced the national officials will probably concentrate on settling the grievances that caused the strike as quickly as possible, at the same time explaining to the new unionists and their officers the necessity of following the procedures for adjusting disputes laid down in the contract. If the workers fail to end their strike promptly, particularly if the strike becomes the vehicle of a fractional conflict within the union, the national leaders may soon pass from persuasion to threats of disciplining recalcitrant individuals by fines, suspensions, or expulsions. Older locals are presumed to be better acquainted with their obligations and with the proper procedures, and with them the national leaders may proceed more quickly to sanctions. At the least, strike benefits will not be paid from the national treasury, nor aid of any other sort sent or solicited by the national organization from other locals. In more flagrant cases the charter of the local may be revoked, and in extreme instances the national officers may even assume the obligation of supplying union members from other centers to

replace those who fail to return to work. Such action, while it enforces union discipline, allows the union leader to be attacked as a strike-breaker and leaves scars that may take many years to heal. For these reasons most union leaders are extremely reluctant to replace outlaw strikers, whatever the legal justification. Employers, not concerned with the problem that vigorous action to break an unauthorized strike may create within the union, often feel that union officials exercise insufficient control over their members, and frequently they suspect, sometimes with justification, that the leaders condone illegal strikes or even encourage them secretly. . . .

Occasionally the employer is the innocent victim of a struggle within the union, when workers who are dissatisfied with the administration or policies of the union stop work until their complaints are acted upon by the union officials. This was the case in September-October, 1941, for example, when anthracite miners in the Hazleton, Pa., area engaged in a 27-day outlaw strike to protest increases in union dues and assessments and to force changes in the administration of their district organization. The check-off system, it should be noted, makes it more likely that workers who wish to bring pressure on their union will cease work. Workers who pay dues directly to the union will almost certainly continue at work and show their dissatisfaction by refusing to pay their dues. . . .

Other types of strikes to which employers especially object are sympathy strikes, general strikes, sit-downs and slow downs, and jurisdictional strikes. The sympathy strike occurs most frequently where members of two or more unions work for the same employer, and agree that all the unions shall cease work if the members of one have a grievance. Unless they support each other in this manner, unionists

argue, their bargaining power is weakened and the employer might destroy each of them in turn. Sympathy strikes, in an important sense, are a product of craft unionism, and seek to obtain for craft unionists the same unity of action that industrial organization would insure. The employer, for his part, has a just complaint whenever workers violate their contract by engaging in a sympathy strike. Unionists who work for other employers can best express their sympathy in other ways than by ceasing work, as by contributing funds to the aid of strikers.

General strikes, or sympathy strikes embracing all organized workers in an area, have seldom been resorted to in this country. The belief is widely held in the American labor movement that a general strike should be called only in extreme cases, as where the government denies the right to picket; and that it is best used as a demonstration and called for a limited period, as 24 hours, rather than for an indefinite time. In other countries, especially where workers could form unions but were denied full political rights, the general strike has been used much more frequently. The sit-down strike has lost popularity among unionists since its widespread use in 1936-37, partly because of its illegality and an adverse public reaction, and partly because it was difficult to control. The slow down has been used only in relatively few cases, usually in mass production industries in the early stages of unionism. Neither the sit-down strike nor the slow down presents a problem of any significance today.

The jurisdictional strike, however, has been and continues to be one of the greatest evils of the American labor movement. In the United States, in contrast with the situation in many other countries, unions receive from their federations, whether the AFL or the CIO, the exclusive right so far as that federation is concerned to or-

ganize all workers within certain craft or industrial boundaries. The AFL in its earlier years granted charters without precise delineation of jurisdictional limits. As unions grew they came into conflict over their boundaries and settled disputes only to have new industrial processes create new areas of conflict. As with border war between nations, these jurisdictional conflicts between unions have aroused great bitterness and often cost the contesting parties vastly more than the disputed area were worth. Unions have fought jurisdictional quarrels so tenaciously, partly to control the field of competition, partly to relieve the job-hunger of members, and partly because of considerations of power and prestige. When a jurisdictional dispute leads to a cessation of work, as happens all too frequently, an innocent employer suffers loss and the public is inconvenienced because of the inability of unions to settle their quarrels with each other peacefully.

Jurisdictional disputes occur most frequently between craft unions, and find their most fertile field in the building trades. For decades carpenters and sheet metal workers have clashed over the right to install doors made of or trimmed with metal. In 1933 the erection of large government buildings in Washington was delayed for two weeks because carpenters struck when the installation of radiator covers was taken from them and awarded to the iron workers. Disputes between two locals of a single national union may be just as bitter, with the national officers unable to compel a local to abide by an award of disputed work to a rival local. In New York City a \$30,000,000 project was kept at a standstill for seven months, at great loss to the contractor, because of a dispute between locals of plumbers and steamfitters, both chartered by the same national union, over the laying of certain pipes. The AFL has made repeated

efforts to settle these jurisdictional quarrels, through Executive Council and convention action and the efforts of its Building and Construction Trades Department. The stronger unions often refuse to accept an adverse decision, and the Federation, quite understandably, is reluctant to suspend them. Weaker unions, by way of contrast, may be compelled to abide by an unfavorable decision. Sometimes stubborn jurisdictional conflicts are permanently and wisely settled by an amalgamation of the competing unions. . . .

Bitter as are jurisdictional conflicts between rival craft unions, those between craft and industrial unions are usually more difficult to settle because an additional factor, the supremacy of a type of unionism, is involved. Classic among disputes of this type is the long-standing demand of the International Brotherhood of Teamsters that the United Brewery Workers, an industrial union, surrender jurisdiction over beer truck drivers. This jurisdictional conflict has lasted more than three decades, and is still unresolved despite frequent attention by AFL conventions, plus court proceedings. . . .

American labor relations, unfortunately, have been marred by a great amount of violence. The 10-day British general strike in 1926 produced no violence beyond the smashing of a few street car and bus windows, whereas in strikes in the United States assaults are common and deaths all too frequent, with property destruction sometimes running into substantial figures. Each side, not unnaturally, seeks to place the greater part of the blame upon the other. Certainly it is true that both sides are often inclined to place their group interests above the law, and that men fighting for their jobs or for a principle they hold important, whether that be unionism or the open shop, may commit acts that they would condemn under other circumstances. So long as frontier condi-

tions prevailed in many industries, as in metal mining in the western states, the violence typically associated with the frontier appeared in labor relations. Now that the National Labor Relations Act and comparable state acts have removed the rights to organize and bargain collectively from the allowable area of economic conflict, there should be much less violence proportionately than in the past. If American employers, following the example of most British employers, cease attempting to operate plants with imported strike-breakers, the amount of violence should be reduced substantially. . . .

Where unions have found themselves unable to organize a shop or reach a satisfactory agreement through strike action they have frequently urged their members, other unionists, and the general public to boycott the firm's products. Adverse court decisions have diminished labor's reliance on the boycott, though the weapon is still used. The boycott has proved most effective with regard to products which are purchased largely by working men or their families, such as work clothing or beer.

An effective boycott may be maintained by workers who occupy a strategic place in industry. Longshoremen have refused to unload ships whose cargoes were considered unfair or "hot." Teamsters, similarly, have refused to deliver materials against which boycotts had been declared. The warfare between the AFL and the CIO has increased the number of boycotts on materials, with the carpenters, for example, refusing to work with lumber previously handled by loggers, lumbermen, or sawmill workers affiliated with the CIO. Manufacturers of electrical equipment charge that Local 3 of the International Brotherhood of Electrical Workers excludes their products from the New York City market; the boycott, they assert, applies not only to equipment manufac-

tured by non-union workers and CIO members but also to products made by sister locals of Local 3 outside the metropolitan area. In cases of boycott by members of one union against the products made by a rival organization the employers of the latter point out that they are helpless, for under the terms of the National Labor Relations Act they are obliged to bargain with whatever union their employees choose.

A common complaint of employers is that unions unduly restrict production, force unnecessary work to be done, and prevent the introduction of modern machinery or methods. There can be no question that many unions engage or have engaged in such practices. The New York City plasterers sought to increase their volume of work by insisting on three coats of plaster in one- and two-family houses, though the Building Code required three coats for tenement houses and certain public buildings only. A St. Louis exposition remained without music because the musicians' union refused to send performers unless a 12-piece orchestra were hired for the entire period of the exposition; the union rejected offers to hire as many union musicians as the exposition could afford. In Chicago carpenters insisted that molding for walls be sawed by hand instead of with a power saw, and electrical workers required motion picture theaters to pay for maintenance men to inspect and oil the motion picture machines, work that the operator or a janitor could do. Painters, to make their jobs last, have limited the size of brushes and barred paint-sprayers. The National Window Glass Workers automatically suspended any member who accepted employment in a plant using machines, and the cigar makers' union fought the introduction of the mold, a tool that permitted division of labor. Stage hands have refused to work for theaters that reproduced music mechanically in-

stead of hiring musicians. In other instances unions have limited the amount of work to be done in a day; they have required tasks for which unskilled or semi-skilled labor would suffice to be performed by high-priced craftsmen; they have required work that might have been done cheaply in a factory to be done on the job at much greater expense, and engaged in a variety of other practices designed to increase their employment opportunities. Because produce drivers upon arrival at certain markets had been forced to hire unnecessary union drivers, the House of Representatives, in April, 1943, sought to bring such practices under the ban of the Federal Anti-Racketeering Act of 1934.

Nevertheless it must not be thought that organized workers are the only ones who have sought to restrict production or block technological advance. Unorganized workers have widely restricted production, because of a belief among piece workers that if wages rose above a certain level the rate would be cut and they would merely be working harder for the same income. Employers have likewise restricted production where they have the power to do so, if that course promised to raise prices and increase net earnings. Manufacturers have bought newly patented devices, not to give the public the benefit of a new process, but to keep it off the market until they had earned the maximum return from older machinery and methods.

The abler labor leaders long ago recognized that technological progress could not permanently be stayed by union opposition, and that unions that failed to adapt themselves to new machinery were likely to lose influence. Accordingly the tendency now is for unions to seek to regulate the introduction of machinery so as to minimize the displacement of workers. The printers sought for their members prior opportunity to learn to operate the lino-

type; the Amalgamated Clothing Workers obtained dismissal pay of \$500 for each cutter forced out of the employ of Hart, Schaffner & Marx in the 1920's. Some of the contracts of the Textile Workers Union of America provide that the workers shall get from one-third to one-half of the savings from technological changes. Many other unions have adopted similar policies. In an effort to persuade union employers to purchase modern machinery that would permit competition with non-union plants, the hosiery-workers' union voluntarily took a wage reduction in 1938 on condition that the employers purchase new equipment. . . .

In industries in which employers are small and unorganized it often happens that the building of a strong union by the workers puts the employers at a bargaining disadvantage. In such cases the union may be able to dictate terms just as an employer may dictate to unorganized workers. The remedy, needless to say, is for the employers to organize, and have conditions in the industry determined by a collective agreement between the union and the employers' association. That association could be either local or national in scope, depending upon the relative strength of the parties and the area of competition. In rare cases unions have sought to perpetuate a bargaining advantage by refusing to deal with an employers' association, in much the same way that employers have refused to recognize a union. In the overwhelming majority of instances, however, unions have not opposed or have even welcomed the formation of employers' associations, and in some cases the employers have organized at the suggestion and with the help of the union.

Where the employers fail to present a united front it is possible for the union to impose terms limited only by the ability of the industry to survive. If the employ-

ers' costs are increased to too great an extent they will lose business to other areas or move their shops if that is possible. Sometimes unions have interfered unduly in internal business affairs not properly connected with collective bargaining functions. The Chicago teamsters, for example, seeking to increase their job opportunities, forced concerns to use coal instead of gas. In one of the most flagrant cases of this kind, a New York City hotel was compelled to pull down part of a wall because the color and style did not suit the artistic taste of an officer of the plasterers' union, although the owner of the hotel and the architect were entirely satisfied. In some instances unions have fined employers for violation of their working rules. Organization on the part of the employers should readily restrict the activities of unions to their legitimate sphere of interest.

The complaint is often heard that particular employers were getting along satisfactorily, serving their customers and providing employment, until they were forced out of business by exorbitant union demands. It should be remembered in this connection that a great many employers are forced out of business each year for a variety of reasons, and that if inefficiency is the cause, their elimination, whatever the hardship on those immediately concerned, is usually considered the price of progress and pointed to as an advantage of a competitive society. Trade unions usually seek a standard wage and standard working conditions in a competitive area; any employer who is forced out of business because he has to establish standard conditions is one who existed the expense of his workers, and who tended to lower the competitive level of the industry. An industry usually profits by the elimination of such inefficient and sub-standard units. Nevertheless a union

usually is reluctant to see them disappear, for the immediate result is unemployment for members of the organization. As has already been pointed out, several unions have given technical aid to hard-pressed employers in an effort to raise their efficiency to the general level of the industry:

It is quite possible, however, for a union to place an efficient and wholly competent employer at a competitive disadvantage by insisting upon concessions that are beyond the capacity of the employer to grant. Occasionally this happens in a wholly organized industry, where the union drives the best bargain it can with each employer, thereby placing those with the least bargaining power or skill at a disadvantage. More frequently an industry is only partly unionized, and the union may insist upon concessions that place all the unionized firms at a disadvantage, permitting them to be undersold by their non-union competitors. Manufacturing enterprises that are subjected to such unwise treatment tend to move to non-union areas, leaving the union members in possession of high wage scales but no work. The prevention of such a development is one of the motives leading unions to conduct organizing campaigns in the non-union areas, with such campaigns usually carrying the best wishes of the organized employers. Experienced union leaders know

enough of the competitive relations of their industry to avoid putting the unionized employers, upon whose prosperity their members' jobs depend, at too great a competitive disadvantage. Intelligence and experience on the part of the union representatives and organization on the part of the unionized employers should enable the parties to bargain on fairly equal terms within the limits that competitive conditions impose.

The attitude ascribed by a writer to Sidney Hillman illustrates the point of view that able and responsible labor leaders take with them into collective bargaining negotiations: "A constructive labor attitude must be in terms of the achievable. . . . We cannot ask from industry more than it can soundly afford to give. . . . A strike victory or a defeat, as such, settles nothing fundamentally. An employer may win a strike and discover, when it is too late, it was so costly that he has lost his business. A union may win a strike and find that it has lost both the industry and the union. We cannot defeat an industry; when we do that we defeat ourselves. . . . Labor must be industry-conscious." As unions win recognition and labor leaders acquire experience they tend more and more to become industry-conscious, to realize that upon the welfare of their industry the well-being of their members depends.

EMPLOYERS' USE OF FORCE

SENATE COMMITTEE ON EDUCATION AND LABOR ¹

Strikebreaking Services

The committee's first efforts in the field of investigation assigned to it by Senate Resolution 266 (74th Cong., 2d sess.) were concerned with the services rendered to employers by the so-called detective agencies. One of the principal detective-agency functions was found to be the performance of industrial espionage. Report No. 46, part 3, made by this committee on December 22, 1937, embodies the committee's findings on espionage performed by detective agencies for industrial employers. It points out that the practice of using labor spies constitutes, in most cases, undue interference with the right of labor to organize and bargain collectively. Recent developments in the field of espionage will be discussed in a report shortly to be issued. In examining the detective agencies for evidence of industrial espionage, the committee discovered other services offered to employers in connection with their labor relations. These services included the furnishing in time of strike of specialized personnel versed in industrial warfare. In some agencies examined the strike services preponderated, while in others they were only an auxiliary to the service of industrial espionage. Wherever industrial espionage and strike services were offered by detective agencies they were found to

be closely related in purpose, function, and personnel.

Shifting from the detective agencies to the study of employers' associations, the committee found, in several cases, that the same espionage and strike services were provided by such associations for their members. The employers' associations which provided industrial espionage or strike services were found to maintain a policy actively hostile to the principles of self-organization among employees and collective bargaining. The functional aspects of the espionage service furnished by employers' associations have been treated in part in report No. 46, part 3, of this committee, dealing with industrial espionage, and will be further analyzed in this committee's forthcoming report on employers' associations.

Upon examination, the strike services offered by employers' associations to their members were found to be identical in function and technique with those rendered by the detective agencies.

It will be the purpose of this report to consider the strike services rendered by detective agencies and employers' associations. Analysis of these strike services reveals an occupational class engaged in strike work, members of which sometimes offer their services directly to the employer or set out to recruit their fellows for strike jobs.

The strike services which the committee has examined fall into three categories. The first is the provision of so-called strikebreakers, who are commonly understood to be persons who temporarily replace striking workers. In some industries such temporary replacements have been, in the

¹ Senate Committee on Education and Labor, "Strikebreaking Services," Violations of Free Speech and Rights of Labor, 76th Congress, First Session, Report No. 6, 1939.

past, competent and skilled workmen. In most cases, however, strikebreakers are not qualified employees. The agencies engaged in the business of providing such replacements have even advertised that their function was simply to provide industrial shock troops with which to break strikes and cause strikers to return to work.

The second category of strike services is the provision of guards or watchmen. The ostensible purpose of utilizing such guards, who are generally armed, is the protection of the strikebreakers, the loyal workers, or the plant property. Guards provided by the agencies must be distinguished from regular plant police and the local police force of the community. Usually they are strangers to the controversy and the locality in which they serve. In many cases these guards have been deputized as local police officers. An analysis of the commercial strike services reveals that men who offer themselves as guards in strikes form a more or less distinct occupational group, and can be designated as "strikeguards."

The history of industrial disputes in this country indicates that the almost inevitable effect of employing outsiders of either of these classes, in an industrial dispute, is to produce resentment, bitterness, violence, and bloodshed. Nor is this surprising. The purpose for which such persons are offered by those who make a business of selling their services and the objective for which they are hired is to weaken or destroy the organizations which workmen have built up for their own protection.

The third category of strike services is the furnishing of persons to mingle with striking employees, or townspeople, disguised as strikers, strike sympathizers, or salesmen, as the case may be. In the trade these persons are designated as "strike missionaries" or "street operators." Unlike the strikebreaker or the strikeguard, the connection between the "missionary" and the employer is always concealed. While

the "missionary's" ostensible function is to act as word-of-mouth propagandist against the strike, he is often found in the ranks of the strikers, urging or committing acts of violence.

At the outset it may appear difficult to understand how these three strike services, so diverse in function, can be offered by the same agency. If things were what they seem in the field of industrial warfare, the function of the strikebreaker would be to work efficiently and to operate the plant; the function of the strikeguard would be to exercise a restricted degree of police power with the authority and moderation required in tense strike situations; while the function of the word-of-mouth propagandist would be to present the employer's side of the strike. As they exist, however, these three types of strike personnel have one purpose: to break strikes. Like industrial espionage, these strike services are weapons for the employer in his battle against the recognition of organizations of his employees. Thus, united in purpose, these services can be most profitably organized and offered by agencies or associations specializing in the practices of anti-unionism.

These services have a long history in American industry. The committee's investigation of a few prominent exponents of the strikebreaking business covers the period from January 1, 1933, to the date of hearing, which varies for each agency examined, running roughly from September 1936 to April 1938. Thus, the period covered by the committee's investigation coincided with the era during which the principles of the self-organization of employees and collective bargaining have been a part of Federal law affecting concerns engaged in interstate commerce; first, through the National Industrial Recovery Act, and then through the National Labor Relations Act. What the committee found in the field of strikebreaking was not so

much new devices created for the purpose of meeting the wave in organization which followed Section 8 (a) of the NIRA and the National Labor Relations Act, but old devices long recognized as useful and efficacious in the employers' struggle against unions. In order to understand the committee's work in this field, therefore, it is necessary to consider the origin and history of these strike services. The committee's record reveals, for example, instances of open warfare between armed guards and strikers in 1936 no different in purpose and effect from the famous Homestead incident of 1892. To understand the full scope of these commercialized strike services and their significance in American industrial history the committee's investigation and findings must be viewed against the background of investigations and findings of numerous Federal and State bodies since 1880.

SENATE COMMITTEE ON • EDUCATION AND LABOR ¹

Industrial Munitions

The utilization of any or all antiunion services such as espionage, strikeguards, or private policemen involves the ultimate use of force. In the consideration of such services the committee soon became aware of certain means employed to implement such a policy. Chief among these was the use of firearms and chemical munitions. Thus, the committee found it necessary to turn its attention to the character and effect of industrial munitions.

The committee in its inquiry into var-

ious strikes and their violent episodes gathered much information concerning the industrial use of weapons and munitions. The committee's report on Strikebreaking Services made mention of the participation of certain detective agencies in the traffic in newer forms of industrial weapons, as well as their use, and the report on Private Police Systems dwelt at length on the use of arms by certain of the police systems discussed. These reports did not, however, treat of the arms used in industrial relations as a subject in themselves.

In the earlier stages of its inquiry, the committee learned that there existed an established business of supplying weapons especially adapted for use in industrial disputes. The weapons furnished for such use were principally the various forms of tear and sickening gases, with equipment such as grenades, shells, and guns for discharging them. Submachine guns are also supplied for such use, though to a lesser extent. When held by public authorities for use in the exigencies of riotous situations, the possession of such weapons is, of course, legitimate and proper. Because such weapons are, however, designed and adapted for use by public authority in the exercise of police power in conditions of civil disorder, their purchase and possession by private employers raises problems of far-reaching significance. The committee found that gas weapons are widely purchased by employers and frequently used by them in industrial disputes, and that submachine guns have, to a lesser extent, been so purchased and so used.

A study of the purchase of such weapons by employers revealed that both machine and submachine guns and gas weapons are bought most frequently either in anticipation of, or during labor disputes. Extending its inquiry to cover all kinds of weapons purchased by certain employers, the committee found the same correlation existing, in many cases, between the

¹ Senate Committee on Education and Labor, "Industrial Munitions," *Violations of Free Speech and Rights of Labor*, 76th Congress, First Session, Report No. 6, 1939.

purchase of other types of firearms, and the ammunition therefor, and developments in the labor relations situation of the purchaser. The committee's data on the purchase of the more common firearms are necessarily less complete than its information concerning the sale of machine guns, which is now subject to Federal regulation, and the trade in gas weapons, which are purveyed by a limited number of concerns, practically all of which the committee was able to investigate in detail. Nevertheless, a study of the records of selected employers, concerning the purchase of revolvers, rifles, and shotguns, indicates that purchases of such weapons in quantities above the necessary minimum required to equip plant watchmen and to guard valuables, was inspired by the fear of strikes, or labor disputes.

The committee's investigation disclosed not only that industrial munitions were purchased by employers at critical periods in the course of their relations with their employees, but also that such purchases bore marked correlation to the labor policies of such employers. Almost invariably those employers who have assumed an attitude of hostility to bargaining with so-called outside unions, have been discovered to be the largest purchasers of industrial munitions. Conversely, the establishment of cordial relations based on the principles of collective bargaining seems to appease the appetite for arms, and terminate the purchases of such weapons.

Like the previous reports of this committee, this report is concerned with the

relation of the industrial practices, which are its subject matter, to the national policy of collective bargaining and self-organization by employees. The committee's investigation of munitions covers the period from January 1, 1933, through the middle of 1937, thus coinciding with the existence of Federal laws establishing the principles of collective bargaining for businesses affecting interstate commerce. The record indicates that the possession and use of large quantities of arms by certain employers constitute a manifestation of hostility to such principles of labor relations, a hostility carried over from an earlier period of industrial history when the rights of labor were, for the most part, without statutory protection. Wherever large stores of arms were found in industrial plants, for example, some part of them, at least, was found to have been acquired in the years prior to 1933. Large purchases subsequent to 1933 indicate a continuance of the same attitude of hostility to collective bargaining in spite of the national labor policy and in the face of the rising tide of union organization. The attitude of those employers making the largest purchases of weapons in the period of 1933-37 is demonstrably one of determined opposition to labor unions. A large proportion of the strikes suffered by such employers involved the issue of recognition; in many cases such employers resorted to labor espionage, or employed strikebreaking agencies to use the weapons they had acquired.

14. Conduct of Strikes

ONCE the decision is made to strike or to accept a strike, strike leaders and management must devise a successful campaign to bring the other party to terms. The strike leader must accomplish certain results:

1. He must mold a varied group of individuals with varying degrees of enthusiasm for striking and experience in collective action into a disciplined army with high morale.
2. He must maintain that discipline over the period necessary to force the employer to agree.
3. He must win allies and popular support.
4. He must keep the employer from operating the plant and prevent his access to the factors of production necessary for operation.
5. He must counteract whatever specific measures the employer utilizes to prevent the strike leaders from accomplishing these objectives.
6. He must negotiate an agreement bringing the strike to a successful conclusion.
7. He must prepare for harmonious relations between the workers, the union, and the employer when the conflict is brought to an end.

The employer must also accomplish certain results:

1. He must attempt to weaken the morale, the solidarity, and organization of the strikers.
2. He must maintain the morale and solidarity of his own management and directing group.
3. He must win allies and popular support.
4. He must reduce the losses to which he is being subjected either by resuming partial operations or arranging for a transfer of his orders to friendly concerns and by protecting or obtaining protection for the property, tangible and intangible, for which he is trustee.
5. He must counteract whatever specific measures the workers or the union utilize to prevent him from accomplishing these objectives.
6. He must negotiate an agreement bringing the strike to a successful conclusion.
7. He must prepare for harmonious relations between his workers, the union, and himself when the conflict is brought to an end.

It cannot be expected that both parties will agree on the rightness or wrongness

of any tactic employed to accomplish these purposes by either side, nor that the same standards will be used in making that judgment as are used in more peaceful relations. In strikes as in war an in-group-out-group feeling frequently arises which modifies existing ethical standards. The question about this or that tactic changes from "Is it right?" to "Will it work?" for standards of rightness are integrally bound up with and dependent upon the institutions and procedures which rewarded "right" action. When these institutions and procedures fail, the standards lose much of their realistic foundation. The thing that is fundamentally "wrong" about a strike, as about a war, is not specific actions inconsistent with the code of civilized behavior under law, but the discarding of the more reasonable techniques, the use of which that code governs. When men resort to the methods of force that antedate decision by negotiation, persuasion, and mutual agreement, they are not likely to measure the rightness of their actions by standards that were created as appropriate to the methods of peace. Some generalized residue of such standards may remain, but their hold on the conduct of men is seriously weakened.

The primary purpose of the selections which follow is not to provide a basis for an ethical judgment about the rightness or wrongness of tactics of either side in a strike. It is to give an inside view of the problem as seen through the eyes of the person, either in the union or management, charged with responsibility for bringing the strike to a successful conclusion, as he defines *success*.

UNION

E. T. HILLER¹

The Strike

E. T. Hiller (1883-) is known for his application of the analytical structure of the Chicago school of sociology to the analysis of industrial relations; he is now professor of sociology at the University of Illinois.

Our purpose . . . is to study the strike as a collective response to a particular kind

of situation; for it is this setting which determines its character. Both contestants are members of a larger social system. The existence of a public which approves and disapproves provides a situation in which the struggle assumes the character of a trial by battle. Since the contest is carried on by parties who are mutually dependent, each is enabled to bring pressure upon the other by refusing to cooperate. When viewed in this way the labor strike is seen to be but a special type of a more general social phenomenon, the generic strike. This includes the labor strike, the social boycott, political non-cooperation, demonstrations against official acts, and other similar group conflicts. These various forms of non-participation, although differing in

¹ E. T. Hiller, *The Strike*, pp. 3-4, 10, 12, 16-17, 125-27, 128-29, 130, 131, 134-35, 192, 195-96, 198, 207. Copyright 1928 by The University of Chicago. Used by permission.

the occasions from which they arise and the ends which they seek, are essentially similar in their methods of coercion and collective control. . . .

The successive phases of the strike cycle may be described abstractly as: organization of the strikers . . . , beginning the concerted action . . . , maintaining group morale . . . , controlling strike breakers . . . , neutralizing the maneuvers of the employer . . . , manipulating public opinion . . . , and demobilization. . . .

The strike, which has been described abstractly as a form of collective or corporate action, may be more specifically characterized as a concerted and temporary suspension of function, designed to exert pressure upon others within the same social unit—industrial, political, or cultural. It is not a mere cessation of work; it is conflict in the form of a corporate refusal to participate. From this collective nature the strike derives its power of coercion, its behavior traits, and, in part, the motives upon which it rests. . . .

From its collective nature the strike derives its power of coercion. Its aim is to control, to produce some "forced readjustment" in the relation of the contestants. Usually an effort is made to exact some concession from the employer or to deter him from some act believed to be injurious to the employees. But only a *concerted* withholding of labor can inflict appreciable financial losses and arouse interference by the pressure of public opinion or by political action. . . .

The typical strike, therefore, is a trial of endurance. Usually the employer cannot starve his employees without cutting into his profits. Production and the lines of contact with a complex market must be maintained if the enterprise is to be carried on most profitably by a rapid turnover of capital. The strike decreases production, interferes with trade connections, and gives advantages to the competitors

of the employer. Meanwhile materials deteriorate, and fixed charges, such as interest, taxes, insurance, and salaries for officials, continue. These facts provide workers with an instrument of coercion through non-participation. Their dependence upon the employer likewise supplies him with a means of control over them. He may either fill their positions with other workers or impose punitive conditions after the conflict is ended.

This competitive cooperation, therefore, supplies the basis for the tactics used by both parties. Each maneuvers for a favorable position as regards the time and form of the conflict and devises methods of control over the other. The stratagems surrounding the beginning of the ordered strike concern the time and manner of calling the stoppage, the plan of organization, and the scope of the suspension.

The time of calling the strike is gauged by strategists with reference to market conditions, and to the seasonal factors which may affect the morale of the strikers. Suspensions during a period of active market are more injurious to the employer than those which come in the *slack season*, when a shutdown may be positively advantageous to him. The greater likelihood of success in coercing the employer during a time of rising market is shown by the computations made by Weyforth. The correlation of strikes with market conditions as shown by the production of pig iron, leads this writer to the conclusion that there is a clear tendency for the ratio of successful strikes to vary directly with the rise and fall of business activity. Brisk demands and rising prices favor the strikers because under these circumstances the employer is more willing to advance wages than at other periods. His desire to share in the profitable orders is a strong inducement to yield, at least temporarily, to the demands of his employees, although if he does submit, he may later try to force a

reversal of the terms granted under compulsion.

Other factors also favor the strikers during periods of active market. At these times capital can be turned most rapidly, wherefore interference with production affects profits and may forfeit the market to competitors. Moreover, when work is abundant potential strike breakers are less numerous. This is also a time when strike funds are most readily obtainable, and when workmen feel the effect of wages lagging behind the rising prices of food and other commodities. Strike waves, therefore, come in the rising phase of the economic cycle, not only because laborers are relatively prosperous then, but because the time is strategically favorable. . . .

Market conditions differ in consequence of seasons, fashions, and other factors which may be peculiar to each industry. Also, individual firms may have crucial fluctuations in the volume of business. The strategic moment for a trade dispute, therefore, varies for different establishments and industries. In those supplying services or commodities to the consumer continuously or at very short intervals and during short seasons of rush orders (such as baking, printing, and transportation) the condition of the market-demand causes employers to be unusually sensitive to stoppages. The great strike of the men's garment industry of New York in 1913 "was called to take place on the last day of the old year, it being believed that the business would be hardest hit at this period." Since the eighties, stoppages have occurred among American garment workers at the beginning of the season and at other "occasions during the season when new styles were introduced." In the early part of the nineteenth century the journeyman hatters took care to "turn out" during the spring, when customers wanted to be supplied with hats. The Dublin unions under Lar-kin assailed their employers "at the very

worst moment for their business—at Christmas or some other period of stress and strain, when stoppage meant ruin for the firm." They delivered one of their coups at the time of the Horse Show Week, Dublin's great social event. . . .

Regulations as to the time for beginning strikes have reference, not only to the market conditions, but also to the direct effect which the season of the year has upon the strikers. Food and shelter requirements are less in the milder seasons, and the chances for success are correspondingly greater. Accordingly, a seasonal concentration of American strikes is shown by the statistical summaries of industrial disputes given in current numbers of the *Monthly Labor Review*. A similar distribution of European strikes is also noted. Although this is partly a response to the May 1 Labor agitation, it is chiefly a result of strata-gem. . . .

The employer, also, attempts to regulate the time of industrial conflicts in accordance with his own interests. The conditions which favor him are sluggish demand for his wares, absence of perishable materials, surplus stock of finished goods, general unemployment, weak unions, and lack of strike support. He may prefer a strike to a shutdown, as a means either of reducing wages and other costs, or of breaking up the union. He may force the issue by demanding reductions in working conditions, or he may use trickery (strategy) to cause the workmen to take the initiative. In one instance company officials caused a telegram of the union leader to be delayed, thereby precipitating a strike. . . .

MANIPULATIONS FOR POWER

The form of organization is important in preparing for a conflict. Wage-workers seek to match or exceed the degree of integration among employers. "We organize on the same plan as you do, and we've

got you" is a succinct statement of this motive. The increased organization by one party is a stimulus to the other to equal or excel it, thereby drawing larger alliances and forces into the issue when conflict is initiated at any point. This effort by each to outmaneuver the other in the scope of organization has caused the union structure to develop somewhat parallel with industrial consolidation: "The late seventies marked the beginning of the drift of our population toward industrial centers which accompanied the development of industrialism in the United States. Organization of markets was extending from a local to a national scale. Employers were banding together to promote their mutual interests. Larger-scale production necessitated larger capital, which, in turn, made for centralized financial control. Industrial development is generally reflected in labor organizations."

With regard to ease of federation, employers have the advantage. The concentration of control by them or by their salaried executives gives centralization, efficiency, and close coordination. Other factors, such as the security of their livelihood, absence of personal sacrifices, and ease of combining capital, make the task of integration much simpler for them. However, they do not always take the initiative in expanding the scope of federation. Unions are just as frequently the aggressors in enlarging "concerted movements."

Along with the expansion of organization, new policies in strike management have developed. A large part of the conflict between employers and unions has come to center around the effort to limit or undercut the strength of the opposing organization. For this reason, among others, employers frequently oppose bargaining with a general union. For example, in the British coal strike of 1926 the owners publicly declared that they would

never again meet the general union representatives or submit to national agreements, and would insist on district settlements. In the American mining industry, also, "Many employers have sought to use factionalism within the union to break it up or lessen its power. They have tried to play off one district of the union against another."

The union, on its part, has pitted the operators in one district against those of another in order to gain concessions in wages and working conditions. During the coal strikes of 1902 and 1926 it played the anthracite against the bituminous industry. In attempting to pit employers against each other the union may offer one of them immunity against stoppages in return for concessions. The competing firms are then threatened with a loss of their market through strikes unless like terms are conceded. In a similar way, during a deadlock, one employer may be separated from the others and induced to sign an agreement, thereby breaking the whole resistance of the employers' association. . . .

Since the typical strike is a suspension, and not a permanent break in the working relations, open conflict between employer and employees can be but temporary. Their common interests in maintaining the industry sooner or later forces them to resume cooperation on some basis. This inevitable resumption of work constitutes a distinct phase in the strike cycle. It is characterized by a decline in hostilities and morale of one or both parties. The attempt to regulate demobilization calls into use appropriate techniques of collective control.

When, during times of industrial peace, irritations disturb the established equilibrium to such an extent that overt strife results, settlement must come through a new balancing of all the forces which can be brought to bear upon the issue. This

is the ordeal, or trial by battle, the settlement of differences by struggle rather than by litigation. When there are no courts competent to adjudicate disputes, struggle is sanctioned as a method of deciding issues. All contests intended to end hostilities between parties with unlike interests have this character of an ordeal by battle. The strike is but one such type of settlement through conflict. . . .

In its most characteristic form the strike is a test of economic endurance—a process of attrition—in which the outcome is determined by the relative resources of the contestants. The one who is able to hold out longer is the victor. Therefore each party watches closely every move and every sign of weakening which may serve as an indication of the strength and endurance of his opponent. In this the employer has the advantage, for he can easily observe the suffering and the weakening morale of the strikers, whereas they can only guess at his endurance. He deals with materials and other measurable things (financial balances and market demand), while the union leaders deal with persons in large and heterogeneous masses, poorly organized and distracted by confusing traditions and the pressure of individual needs. The employer is exempted from personal suffering and his assets are durable, as compared with “perishable” labor. In a contest of endurance he can usually count the cost and wear out his employees. . . .

Settlement by attrition implies that one or both parties are exhausted or prefer to surrender because defeat seems imminent. Each estimates the limits of his resources as compared with those of his opponent and gauges his own inevitable losses against possible gains. Reasons for prolonging the contest are: safeguarding the organization, protecting practical interests, saving face (protecting reputation), and gaining restitution for the injury produced

by the struggle. The chief factors which cause the termination of the conflict are the distress incidental to the suspension of work and the disintegration of the strike morale, or even of the union. . . .

As external and internal pressures increase, inclination or ability to prolong the contest wanes and settlement or collapse of the strike follows. The transition from conflict to “peace” may take various forms, depending upon the point of equilibrium of the opponents’ resources. From the standpoint of the degree to which strikers gain their demands, settlements may be grouped under four approximate headings: success, compromise, postponement of the decision, and defeat.

INTERNATIONAL LADIES’ GARMENT WORKERS’ UNION¹

Conduct of Strikes

When to Strike. No group of workers experienced in unionism will strike except as a last resort, when every other means of settlement has failed. The employer loses money during a strike—but so do the workers. A strike is a drain on the parent union, too, both in finance and in personnel. It follows, therefore, that strikes should be called only for justifiable and important causes. . . .

Unless the issues at stake are such that the workers feel they are justified in striking, they are likely to be half-hearted if not openly defiant of the union’s policy. Unless the issues can be justified in the mind of the thinking public, the union will get no support outside the labor move-

¹ *Handbook of Trade Union Methods*, International Ladies’ Garment Workers’ Union, New York, 1937, pp. 37-56. Reprinted by permission of the Educational Department.

ment. If an employer who has signed an agreement with the union feels that his workers strike too frequently on minor issues or disregard the processes of adjustment which the agreement provides, he may feel that he may as well break with the union, fire the "trouble makers" and conduct his business in high-handed fashion.

But a strike, to be successful, must be timely as well as justified. The manager of a large ILGWU local, discussing this element of timeliness in the Trade Union Service Class, said:

"Back in 1914 the theory was advanced that the best time to strike was in the slow season on the ground that the workers could afford to strike then without losing any income. While it is true that if a strike came in the slow season the workers would not lose, neither would the employers. They could afford even better than the workers to keep their factories closed.

"The term 'strike' means 'to hit.' And the only time we can 'hit' is when the employer has merchandise to turn out. Otherwise, the strike does not hit. Therefore the time to strike is at the height of the season. In drawing up an agreement, the union attempts to have it expire at the height of the season so that if a strike is necessary for the renewal of the agreement, it may come at the high point of business in the industry. A strike that came at the end of a season would mean weeks of meaningless striking that would sap the morale and enthusiasm of the strikers without bringing any results."

Strike Preparations. Sometimes spontaneous strikes occur. Workers become so indignant over an incident or series of incidents in the shop that they leave their machines and walk out without any pre-arranged plan and only afterward call upon a union to take them in. This situation presents special difficulties, since organization must be perfected among an

undisciplined group while the strike is going on.

Usually, however, a vote is taken at a union meeting where the issues have been fully discussed, and demands agreed upon. Often a date is set in advance for the strike if the employer does not come to terms in the interval, or the executive board of the union is authorized by the meeting to call a strike when and if it sees fit. While this has its disadvantages in allowing the employer opportunity to prepare for the strike, it also gives time for further negotiations and for public officials or other agencies to attempt to effect a peaceful settlement.

In a strike involving a number of shops, all sorts of preliminary meetings must be arranged for—meetings of shop chairmen and chairladies, meetings of workers shop by shop, and mass meetings, so that everyone will clearly understand the reasons for the strike, the demands to be made upon the employer and the conduct of the strike. Responsibility for the various activities incident to a strike is divided among committees, the number and kind depending upon the situation.

When the Dressmakers' Joint Board was making preparations for a strike in February, 1936, that would have involved some 105,000 workers, separate committees were set up to take care of the following: picketing, meeting places, relief, organization, unemployment, settlement, finance, legal matters, speakers, information, and outlying areas. These committees together made up the general strike committee.

In the Borough of Manhattan alone, 13 huge halls with a seating capacity of 65,000 had to be arranged for as meeting places, and provisions made for the registering of the workers of every shop as they went to their respective halls. Publication of a strike bulletin, "Calling All Shops," was begun, giving the background

of the strike, the demands upon the employers, instructions as to strike procedure and the words of labor songs to be sung at meetings and on the picket line. . . .

STRIKE ACTIVITIES

Recruiting. A strike is an organizing medium in itself. Workers who have been undecided about joining the union will be caught up in the excitement and drama of the strike. The desire to "belong to the Gang" is a strong social impulse, and every effort should be made to consolidate this spirit and make it easy for the late-comers to join. Union members in each shop and department should try to persuade their fellow workers to come out with the rest. Or committees may go to the shops. . . .

On the day of the strike, whether the workers are met at the shop and told to go to union headquarters or whether, more dramatically, they go in to work and then at the appointed hour, say 10 o'clock, leave their machines and march in a body to the union hall, everything should be in readiness there. . . .

Instructions as to picketing and other duties should be made clear at the meeting. A strike is no holiday, and usually all strikers are expected to report at the strike halls each day.

Picketing. There is a two-fold purpose in picketing—to keep workers out of the plants and to let the public know that there is a strike. The most intensive picket activity is, of course, at the hours when workers are likely to come to the plant or leave it. Since the boss will have the bright idea of telling the workers to come early to avoid the picket line, the strikers must be on the job even earlier. Picketing carried on all through the day is a constant reproach to the workers inside the shop and a reminder to the public.

Mass picketing is the most effective form in many instances. It is not so dif-

ficult for a "scab" to brush by one or two pickets sedately pacing up and down, but to face a long line of the people he has been working with, to sense the excitement and good-fellowship of that singing, chanting group and to feel himself an outcast is much more difficult. Moreover, if the strikers are not seasoned unionists it is much easier for them to picket with a group than alone, particularly young girls who do not relish the idea of being conspicuous.

The number of pickets allowed, however, is a matter of local regulation and often depends on the whim of a police captain, cop or minor judge. If the number of pickets is to be limited, the union should insist on enough to cover all possible entrances and exits to the plant. All sorts of regulations are imposed—pickets are forbidden to talk or sing, they must walk a certain distance apart, they must keep moving, they must not distribute handbills or obstruct traffic, etc. The strictness with which these regulations are enforced will vary with the tenseness of the situation, the influence of the employer with the city government, the number of policemen and their personal attitude toward the strikers. The temptation to "dare" the cops is a strong one, but there is no point in alienating them needlessly. They too are workers and often none too well paid. Kidding by pretty girls is perhaps more effective than a truculent attitude. Sometimes, however, the situation is such that the picket line is regularly broken up by force—mounted police riding their horses into the crowd, clubbing with nightsticks, etc.

If arrests are likely to be made, pickets should be instructed as to their legal rights in case of arrest, such as making a telephone call, obtaining counsel, having medical treatment for injuries, etc. Every effort should be made to obtain an early hearing and to secure bail so that they will not

have to remain long in jail. Immigrant workers who do not yet have their final naturalization papers and representatives of racial groups against which there is popular prejudice should not be exposed to undue risks on the picket line. They can be used for other work less fraught with danger for them. . . .

Placards for the pickets to carry on the line should be in readiness when the strike comes. The wording on these signs varies all the way from the much-used but colorless "Unfair to Organized Labor" to slogans that grow out of the local situation—"Scranton Shall Not Be Home of Sweatshops." During the strike of Paterson, N. J., silk workers in 1912, the employers made an appeal to patriotism by decking the town with American flags and signs, "We live under this flag; we fight for this flag; and we will work under this flag." The strikers had an answer to that. They paraded with flags of their own and signs declaring, "We wove the flag. We dyed the flag. We won't scab under the flag." Such admonitions as "Don't patronize Cheatum's" are an appeal to the consumers' interest in the strike.

. . . The union's legal advisers should be consulted as to the wording of placards and banners to avoid violations of the law on boycotts and libel. . . .

The presence of prominent society or professional women, college students, consumers' organizations, etc., on the picket line not only raises the spirits of the strikers but makes good publicity and lends prestige to the union in the eye of the community.

Dealing with Scabs and Spies. The terms applied to those who work during a strike—scab, blackleg, rat, strikebreaker, fink—indicate the contempt which trade unionists have for them. It is necessary to differentiate between scabs who were employees of the shop and continue to work or workers in the trade who take jobs after

the strike has been called, and scabs who are not workers at all but professional strikebreakers.

The resentment of strikers toward those workers who continue to work or come in to take jobs and thereby enable the employer to keep his plant running is very natural and very human. Nevertheless, there is danger that if their attitude is too harsh, it will make it too difficult for the scabs to come over to their side even if they wish. The result may be to drive the scabs still closer to the employer.

In strongly unionized centers there is little excuse for scabbing and those who do it are probably too selfish and too unprincipled to make good union material anyway. But where unionism is new, it is understandable that some workers may want to keep on working because of fear, home responsibility or loyalty to the boss, or a failure to realize the implications of what they are doing. If strikers are "ugly" to them, they take it as an added reason to believe that trade unionists are horrid, vulgar creatures and that it is not "respectable" to strike.

Unemployed workers who come in to take jobs are a real menace, particularly if the trade is overcrowded or the work so simple that it requires little training. Here the problem is to make contact with them, make them understand the situation, and win them over. This is rendered more difficult by the fact that the employer is on his good behavior, that higher rates of pay are offered as an inducement, that they are promised permanent jobs, and that the employer does all he can to impress his side of the story on them. Personal visits, leaflets giving the background of the strike, and the display of a victory psychology by the strikers may help to bring them to their senses. . . .

Professional strikebreakers, including strong-arm men and thugs, are usually obtained by the employer from strike-

breaking agencies. These professionals do not and cannot operate the plant, and often do actual damage to it. They are brought in to break the strike by intimidating the workers on the picket line and to give an impression that the plant is filled with workers. Many of them are thugs, adept at beating up strikers or even greater violence; often by demoralizing the picket line, they clear the way for scabs to enter. Employers who talk plaintively of not being able to pay their workers a living wage will hire professional strikebreakers for \$10 or \$15 a day—sometimes as much as the strikers have been receiving as a weekly wage. There are cases on record where strikebreakers struck when the prevailing wage fell from \$10 to \$7 a day because an over-supply of strikebreakers came into the territory!

Thugs and strikebreakers are immune to appeals of the workers, but their presence, if known, is resented by the community and in many cases the union can arouse public opinion against their presence to such a pitch that the employer is forced to dispense with them. The employer, in any event, cannot resume normal production with men who are more adept at holding a blackjack than a needle; he is still unable to fill his orders and faces the double financial drain of having to pay exorbitant "wages" and still losing trade. If, therefore, the union can hold its own ranks solid, can furnish relief and so play a waiting game, there is still a good chance for negotiating a settlement. The federal law now prohibits the transportation of persons across state lines with the intent to employ them to interfere with the right of peaceful picketing.

Spies and stool pigeons are esteemed even less by the labor movement than are scabs. The Senate investigations in 1936 uncovered some of the slimiest stories in industrial history about spies and strikebreakers. Some of them are professionals,

like Chowderhead Cohen, a labor spy for 20 years, with an added criminal record of 14 arrests and 5 convictions.

Employers hire spies, usually through detective or strikebreaking agencies, to find out who the "discontented" workers are to get into the union, report on meetings and membership, and try either to break it up or incite the workers to violence so that the military can be called in to break a strike—and the union. . . .

The type of stool pigeon more frequently met with in the garment trades is the "loyal" worker who runs to the boss with everything he (or she) hears. Sometimes such a spy is paid for his services; sometimes he is actuated merely by a desire for favoritism or a dislike of other workers, or by a genuine misunderstanding of what unionism is all about. Where relatives of the employer work in the shop, they are very likely to be on his side. Such spies are to be found in almost every organization campaign, even inside the union, and the organization will do well to watch for leaks in information and discover their source. The discharge of workers in the early stages of a campaign is usually an indication that somebody is carrying tales to the boss!

Still another source of trouble is the "unconscious" stool pigeon—the person who talks too much, who just can't resist showing that he is on the inside in union matters, who blabs "secrets" in restaurants or imparts them in meetings in one of these stage whispers that can be heard three rows away. The most ardent unionists are often guilty of this sort of indiscretion.

Opportunities for leaks will be lessened if decisions are made and plans carried out by a small group whose trustworthiness has been proved. "Don't trust anyone too far, not even yourself," says one authority on the labor spy. The larger the group, the more likelihood there is of

an informer being present. Discretion with regard to conversation, correspondence and records, is necessary on the part of everyone concerned, including the office force. . . .

One word of caution, however, against "spy phobia." More damage may be done by the spreading of mutual distrust among workers through rumors about spies than by actual spy operation. Any suspicions which the leadership may have should be held in strict confidence while the matter is being investigated.

Meetings. The enthusiasm and feeling of solidarity engendered by a strike give an excellent opportunity to carry on education in the meaning and scope of the labor movement with the whole group of workers—education which the organizer could only touch upon in his contacts with individuals and small groups before the strike.

The workers want to hear from their strike leaders, but these leaders, immersed day and night in the problems of the strike, find it difficult to present fresh, interesting material day after day. The speakers' committee should arrange for occasional outside speakers. A new speaker who knows how to talk to workers, who can bring news of the world of labor outside the strike zone, who can paint a picture of a brighter, fairer world in which employers will no longer be permitted to exploit their workers, will add to union morale and union consciousness. Representatives of other unions in the area, too, can show the strikers that they are not alone in their fight. . . .

While it is often inexpedient, because of the possible presence of spies, to "tell all" in an open meeting, workers feel that they have a right to know what is going on and to follow the progress of the strike intelligently. Shop chairmen and picket captains, in the course of their reports, will develop into good public speakers.

One problem that is best dealt with in the union meetings was described thus by an ILGWU organizer in the Trade Union Service Class:

"There are always false rumors created by stool pigeons who are sent in by the employers and who sneak into the strike hall to spread reports, for instance, that the boss will move out of town, that he will never settle with the union and that if he does, will never take the strikers back. Such rumors very often create disturbances. Once more the leaders of a strike must be alert, patient and tolerant, and must use their wits to overcome this fear. It is not an easy job, but it can be done. Always, after a few weeks of strike, the employer tries to meet his workers, either in their homes or in front of the shops, to offer them an increase in wages and shorter hours if they will only leave the union and come back to work. Some workers may fall for that, but once more the organizer must be on his feet to explain that, while the employer may be ready at the time of a strike to give an increase in wages and a shorter workday, he will not live up to his promises if the workers return to their jobs without a union."

. . . The organizer should not be blind to the novelty of the experience of the strike for many workers. During the first few days there is a holiday feeling of not going to work. Pent-up irritation finds expression when the workers are able for once to tell the world what they think of the boss and his underlings. Indeed, part of the strike leader's job is to control the exuberance of his strikers and harness it to constructive uses.

Mary Heaton Vorse in her autobiography describes the educative and enlivening effects of strike meetings thus:

"People who have never seen an industrial struggle think of a strike as a time of turmoil, disorder, and riot. Nothing

could be less true. A good strike is a college for the workers. When the workers listen to the speeches they are going to school. Their minds are being opened. They are learning history and economics translated into the terms of their own lives. Men and women, until now dumb, get up on platforms and speak with fire and with the eloquence of sincerity to their fellow workers. Others write articles and leaflets. New forms of demonstration are invented, and the workers set off singing the songs they themselves have made up under the pressure of the strike. Like new blood these new talents flow through the masses of the workers."

Legal Matters. The union should have competent legal advisers, for the strikers are almost certain to have the law invoked against them in one way or another. . . . Bail must be furnished and defense supplied for arrested strikers. "One task of the law committee is to get the arrested workers back on the picket line. And the faster the better," one union leader commented. "When an employer sees an arrested picket bounce right back at him, he feels that it is rather useless to continue the battle." . . .

Strike Relief. The ILGWU takes care of strike relief by direct cash payments to the workers involved. This method is feasible only because the union has a sufficiently large and stable membership to provide an adequate treasury. Strikes are a recognized and frequent occurrence in the collective bargaining methods of the industry and as such are taken into account in the union's financial planning. Unions with a membership so small or so ill-paid that they cannot build up a substantial treasury and unions which very infrequently resort to strikes are seldom able to provide strike relief without outside aid. In the past the ILGWU and its constituent units have often made large contributions to the strikes of such unions.

Relief in ILGWU strikes is administered by a local committee of the strikers in cooperation with the union organizer in charge of the situation. Since the payments are made by the International, authorization to dispense relief must naturally be obtained from headquarters. The ILGWU has no separate strike fund, relief and other expenses incident to the strike being taken care of out of the union's general treasury. . . .

Ordinarily payments are not made during the first two weeks of a strike but in areas where wages have been so low that the workers are practically penniless as soon as they stop work, relief may be necessary at the beginning of the strike.

Obviously, the union ought not be expected to carry "dead-heads" on its relief rolls. In order to be eligible for relief, therefore, strikers are required to report daily at the union halls and to accept picket duty and other activities when required. . . .

Mid-day lunches are provided at the strike centers. These may be prepared by committees of the strikers or arrangements may be made with a local restaurant to provide and serve food. If the weather is bad, coffee and rolls may be taken to pickets on duty. Cash relief is designed to enable the strikers to look after such expenses as rent, clothing, family meals, etc., themselves; but where illness or other special circumstances exist, the relief committee may exercise its own discretion.

Picketing is hard on shoe leather, so the union often makes arrangements to have shoes mended and in long strikes may even buy shoes in job lots for distribution. Other clothing is sometimes provided, particularly in winter.

When the strike is over and the workers are back on the job, relief payments naturally cease. Where an unsuccessful strike becomes virtually a lock-out or where individuals active in an organizing campaign

have been victimized, relief payments may be made over a considerable period of time until the persons involved have found work elsewhere. Some unions, either from lack of money or vision or both, simply abandon a bad situation altogether, leaving the stranded strikers to their own devices. Such a policy leaves a bad impression and makes future organization work in that area difficult, if not impossible, not only for that union but for any other.

Giving strike relief in the form of cash payments has many advantages—it is easy to handle, it enables the strikers to make their own selection of food, and it makes public appeals for strike aid unnecessary. Nevertheless, the funds of even strong unions may be exhausted by a strike involving a large number of workers over a long period of time. It may be well, therefore, to keep in mind other methods of strike relief. Appeals for aid to other labor organizations and to the public have this advantage, quite aside from the money, food and clothing that may come in—they help to arouse sympathy and understanding and give people that nice warm feeling of doing something to help. In the matter of food relief, the possibility should be kept in mind of arranging for bulk purchases through the various consumers' and farmers' cooperatives.

A finance committee is necessary to handle the funds for the strike, whether these are raised in part by public appeals or, as in the case of the ILGWU, supplied by the parent union.

Strict account should be kept of income and expenditures, and by a committee rather than by an individual, since ugly rumors about mishandling of funds, even if they have no basis, can do great damage to union morale. . . .

PUBLICITY

Labor organizations are prone to complain (with some justification) that their

activities are not considered "news." Strikes, however, appeal to man's interest in conflicts, along with prizefights, baseball, wars, and hurricanes; they are likely, therefore, to break into the newspapers. Moreover, public opinion is a factor in deciding the outcome of many strikes. Therefore one of the jobs of the strike leadership is to see that Labor's side of the case is presented to the public. In discussing what aspects of a strike are "news" to the daily papers, a labor writer listed the following items:

"Picketing (particularly mass picket demonstration), arrests, the use of strike-breakers and thugs, defiance of anti-picketing injunctions, denunciation of police brutality, spread of strike to other shops.

"Society ladies or college girls on the picket line, alignment of churches and social service workers, consumers' boycotts, public protests against sweatshops, exposé of runaway shops living off the town with the community actually paying for their rent, transportation and protection, exposé of unsanitary conditions in non-union shops and consequent dangers to public health; how workers are speeded up.

"Charts, figures and facts about low wages and working conditions in contrast to enlightened union conditions; government and social service investigations; losses to workers and employers during strike; information about the union and its national backing of the local situation.

"Employer conferences, interviews with union leaders, mediation, new agreements, strike settlements, peace terms, victory or setback for the union."

"Since undoubtedly the employer will be issuing statements to the press giving his side of the dispute, it is of paramount importance for the union to plan something dramatic each day in the way of news in order to take the 'lead' away from the employer," this labor journalist pointed out. "The union must never find itself in

the position of merely answering the boss. The best defense is an offense. It will lead the day's story and put the employer on the defensive. Since most newspaper readers glance only at the headlines or the lead of the story, the union's case must be way up at the top. Further, when news is likely to break from official sources, or may be adverse to the union, skill must be used to create a new angle for that day which will give the union's version the most prominent place in the day's events."

Human interest stories about individual workers, description of workers' homes, interviews with strikers, stories of their heroism, the drama of human lives involved in the strike—these will arouse interest and sympathy. Ten thousand hungry men make less impression on the newspaper reader's mind than the story of one hungry family. Human sympathy is quickened by tales of unnecessary suffering. Play up the mother of six children who gets clubbed and the aged man needlessly beaten. Violations of civil liberty, always inherent in a strike situation, may be exposed, but lay emphasis on the human rather than the legal aspects of the case. Since the first that the general public knows about an industrial dispute is usually when heads are smashed on the picket line, information about general conditions in the industry and the background of the strike must be supplied along with current happenings. This can also be done through quotations from union leaders or in special articles.

Pictures. "Think pictures first, for they are more important than news," another speaker told the Trade Union Service Class. "Many people have difficulty in reading the printed word but read pictures easily. You can also get words across to readers in pictures that you could not get in the news columns, An ILGWU strike

in Boston got nationwide publicity through a picture of girls dressed in armor as crusaders, parading through the streets on big white horses, and bearing shields with a union message on them. Newspapers would never have given publicity to the message alone. The picture was popular because the combination of pretty girls plus unusual dress plus good propaganda caught the eye."

Pictures will help to tell the story of the strike to the public—pictures of picket lines, of cops mistreating strikers, of pretty girls who have been arrested, of a worker's home (but see that the kids aren't dressed up for the occasion in all the neighborhood finery), of national "types," of mass meetings. In towns where newspapers do not have camera men, good shots can often be obtained by amateur photographers with cameras equipped with fast lenses.

Relations with the Press. Make it easy for reporters to get your side of the story; the employer will certainly see that they get his. Typewritten "handouts" summarizing events, copies of speeches and of statements from union officials will save time for the reporters and lessen the danger of garbled accounts. Try to have something for the reporters every time they come around. If there are both morning and evening papers, see that some fresh material is ready for each; don't play favorites among the papers. Arrange for camera men to get their pictures in time to be developed and printed in the next edition.

Don't be too critical of the way news is handled, and particularly don't blame the individual reporter if you don't like the way the story looks in print. He may be personally sympathetic (and many of them are, particularly since the experiences of their own union, the Newspaper Guild) but he "has his orders" and moreover is

not responsible for the editing of his story. Concentrate on furnishing today's news rather than arguing over last week's error. . . .

J. B. S. HARDMAN¹

Striking to Win

Midvale and Louisville are neighboring cities in Indiana. The A-One Silk Shirt Corporation runs factories in both cities. The shops in both cities have been unionized. The company has been operating under a general market agreement with the union. The strength of the union is not the same in the two cities. In Midvale the union has had a firm hold on the workers in all the shops. Not so in Louisville. There the union's grip has been weaker, though all the workers have been paying dues, voting in elections, and fulfilling other formal union functions.

The strike, according to the union, was forced on the workers. The firm, so the union representatives claimed, had no right to abrogate the agreement because of some minor claims. The union would have been willing to look into the case and make all necessary and fair adjustments had the firm made it clear from the outset that it meant to continue doing business with the organization. But it was quite evident that the firm meant nothing of the kind. It was out to quit the regulated collective relationship, and the complaints were but an excuse and a smokescreen for its intended return to the open shop. So the union called the strike on the issue of union recognition.

The strike order was issued in both

Midvale and Louisville. The workers in Midvale responded wholeheartedly. The strike was immediately and fully effective. There were no strike-breakers among the workers, and the company made no serious attempt to get any on the outside. The factories were completely tied up. Partially successful efforts to secure an injunction against union pickets did not materially change the situation. The strike was a test of endurance. The union was prepared for a long siege. The company had great confidence in its own financial resources. It hoped that the Louisville shops would break the union's resistance.

The workers in the Louisville shops of the A-One Silk Shirt Corporation were members of the union. They were not altogether "regular," though. "War babies," they were dubbed by the union organizer, this meaning that the workers and the firm in Louisville were maneuvered into the union during the war when unionism was government-made. Somehow or other the workers in the Louisville shops of the A-One Silk Shirt Corporation failed to develop into mature trade unionists, and the firm, aware of it, counted on licking its Midvale workers and the union by way of Louisville. The union knew this much, and the fight centered around the Louisville shops.

Not all the workers quit work on the strike call. Some had decided to stay on. Others were hesitating until they were met by committees of the union, after which meeting they were convinced that they would have to strike. The firm at once secured enough strike-breakers to retain a skeleton structure in the shops. Work was going on on the inside, active picketing developing on the outside. Since the strike had started in June, there were a number of college students available who thought this a good opportunity to make a few dollars and to gain an insight into the realities of industrial life. The fac-

¹ From *American Labor Dynamics* edited by J. B. S. Hardman, copyright 1928 by Harcourt, Brace and Company, Inc., pp. 132-38.

tories looked busy, and the company's publicity department turned out cheerful statements. It was important to keep out-of-town customers and buyers confident of the firm's ability to make prompt deliveries for the fall season.

The Associated Shirt Makers' Union was cognizant of the fact that it was up against a powerful concern which was determined to win the fight. It was clear from the outset that the strike situation would have to be met on its own terms. No stereotyped procedure would do. The firm was intrenched behind a drastic injunction issued by a Louisville judge whose election had been financed by the corporation. There were strike-breakers. There was aggressiveness on the part of the firm. The rest of the market was watching the struggle. Should the union lose to the A-One Silk Shirt Corporation in Louisville, other firms in other cities might have a tale to tell. The union could ill afford defeat. The union was thinking hard. Plans for a fight to a finish were laid out in the union's inner council.

The Associated was not what may be described as an orthodox union. In its younger days it had more than once sinned against the established economic and political morality of the older fraternity. In some ways it was more radical than most of the unions were or seemed to be. In other ways, it acted on very conservative patterns. It ran its political and industrial lines along tracks neither radical nor conservative. A pronounced realism was characteristic of its procedures. In the strike against the A-One Silk Shirt Corporation, the Associated was aware that it had an adversary of no mean size and that conventional goose-stepping would get the organization nowhere.

What did the corporation do? It forced its workers into the streets. It used its money to buy an injunction, to hire police

protection, strike-breakers. It influenced the pulpit and the press to attack the union, in order that the morale of the strikers might be destroyed, and their unity, essential to victory, demoralized.

What was best for the union to do in the face of these circumstances? To be sure, it might have appealed to the solidarity of the workers. But the other side did not confine itself to empty sermons on Americanism and freedom of individual contract, whatever the respective antidote to labor unity is. The employers called in the strike-breakers, the sluggers, the judges, the police, and the politicians. Obviously, the union must act with equal effectiveness or be demolished. The union could not confine itself to editorials and speeches as the means of winning the strike. Of course; it wanted the loyalty of its own people. Of course, it was concerned with the good will of all the people in the city. But the firm was destroying the material basis of the strikers' lives, undermining their health and the well-being of their children.

The man in charge of the strike asked himself the question: Why does the company get the police to connive at the rough work of its hired thugs? He answered his own question: Because the appetites of many a police officer exceed his salary. But there are many such officers in the field. The police under certain stipulations may be expected to be as friendly to union dollars as to company dollars. All dollars bear the same legend: In God We Trust. The company has been hiring the thugs to beat strikers; and the "cops" to shut their eyes to the sluggings, to interfere with their peaceful picketing, to provoke arrests, all of which is contrary to law, even though true to form. Well, the union need not do anything of the sort. It will hire the "cops" to do just nothing, or—pay them a little extra so that it may pay

them to do their duty. The company's attorneys induced local magistrates to impose big fines on pickets, send them to jail. The magistrates were obviously wrong. There was no justice in bleeding the strikers white. No justice or fairness at all. Only political expediency. But expediency is relative. A judge may change his mind.

A trusted man went to see a friendly sergeant who knew the private address of another public servant. An appropriate handout neutralized the cops' high zeal. Strikers were no longer clubbed. Only at times, "for appearance" sake. A workable arrangement was made with the local magistrate. Under the arrangement fines were not to exceed a reasonable limit and jail sentences were not to be rushed. The go-between was to see his Honor again next week.

However, strike-breakers were at work in the shops. There were not enough of them to do all the company's work, but enough to hurt the strike. The company was offering pay much higher than the usual union rates, and nobody stopped to worry about output. The head of the union's department thought: Why not give our own people an opportunity to do a fair day's work for a decidedly fair day's wage? Cutters were needed and pressers, too. So headquarters in several towns were informed that so many dependable cutters and a number of reliable pressers might accept strike-breaking offers. They were given instructions as to how to proceed. To facilitate matters, a proper strike-breaking agency was set up in Louisville, and an authorized agent proceeded to the cities from which those union-made strike-breakers were to come. It was not long before a number of union people, acting under orders, entered the factories of the A-One Silk Shirt Corporation.

The company heads were in high spirits.

Shops were turning out work. The new hands were not green. They seemed to know how to go about their work. Output increased. The shipping department got busy filling orders. The union on the outside did all the picketing that the pending injunction allowed them to do and scolded the company to its heart's content. The officials offered good drinks to the efficient strike-breakers, no hooch, either.

But curious letters began pouring in from a number of cities. Somehow or other most of the shirts happened to be put together in a queer sort of way. Where one sleeve wasn't longer, the other was shorter; the collar was invariably too tight and the neckband a size or a half its own junior. The matching of colors was rather impressionistic. And dealers were enraged at the carelessness with which their orders were filled. The company seemed to have been bent on sending things nobody wanted.

Clearly the amateur hands were at fault. So the regular strike-breakers were discharged; only the hands last engaged were retained. The agency was called in for further deliveries. The agency thought a raise of pay was necessary, if enough shirt cutters and operators were to be secured, since the season was approaching. Well, the company agreed; it had to. It certainly meant to make headway in the fight on the arrogant Associated.

The labor cost is a relatively small item in shirtmaking, and the firm could well afford the increase. Not that the firm did not have a solid overhead. There were the foremen, for instance, some fifty of them, well paid, quite well. They were needed in a way, though. In time of trouble these fellows could take to work, they could direct inexperienced help. But, curiously, something queer happened to these foremen. Twelve of them, almost all solid, reliable men, in the employ of the com-

pany for quite a few years, suddenly walked out of the shops, in a body, as though they were strikers. And then a fight started on the main floor of Factory A, in which the regular strike-breakers, it seemed, acted the nasty part. The union raised its head. So that new agency was again called. Wages were raised another bit. A cheerful statement was made to the press, and a friendly judge, who had just returned from several weeks' trip with a vice president of the company, issued an improved injunction. The strike went on. Work in the shops went on, too.

The union on the outside did not rest. It managed to turn public opinion to its side. Editorial writers in local newspapers were no longer certain that the strike was really nothing but a case of lawlessness against Americanism.

Several prominent citizens suddenly realized that if the strike lasted long enough, the nation might have to go without silk shirts. The governor of the State was approached. The governor, a man of senatorial ambitions, thought that his intervention in this strike, with all the attendant publicity, might do him some good in the city and might be played up out of town.

There was another detail, seemingly unrelated, which did, however, add to the complexities of the situation.

The junior son of the acting vice president of the company was of a religious turn of mind. He used to frequent a chapel a block or two away from the factories. He would retire to that chapel whenever an opportunity came and sit there in contemplation. The strike stimulated frequent calls to the neighborhood church. He liked to meditate there on the injustices of a system where a bunch of ignorant workers, mostly foreigners, were allowed to interfere with a legitimate busi-

ness enterprise and to inconvenience a regularly constituted corporation.

At his calls at the chapel, during the strike, the junior noticed a young blonde woman, a native American who, he thought, came in to pray or to rest. That happened, he noticed afterward, around the lunch recess. He learned she was Miss Y.T., at one time a YWCA worker, who now worked as a shirt operator. An intelligent person she seemed to be, neat and good-looking, and naturally enough, the acting vice president's son thought Miss Y.T. might be quite useful in the office. She knew shorthand and filing, she told him, and could take care of other office details. Miss Y.T. did not consider it important to tell the chief that she was also organizer for the union and was strike-breaking on orders. In a few days, after her transfer to the office, about the close of the ninth week of the strike, Miss Y.T. thought she could no longer stay on the job. The religiously inclined blonde left, and some important papers from his office files disappeared, too. Most likely, they were filed wrong. A new hand. However, the firm remained without records of shipments made, orders, and other papers quite essential to the distributing end of the corporation's business.

That happened shortly after the exodus of the twelve foremen. All this spelled further demoralization of the business. Local dealers threatened to cancel all orders if there were no immediate improvement in both management and workmanship. In fact, there were no office records any longer to be had of work done or to be done. And the trade press rumored increasing orders in a neighboring shirt market. A hurried call summoned the Board of Directors of the A-One Silk Shirt Corporation, and next day the president of the company agreed to meet the union

head in charge of operations at an uptown hotel.

There was no indulging in undue dramatics.

The president said dryly: "I will sign your accursed agreement, and you see that I get the records, real workers, and work. You may keep the foremen, nor have I use for these polite scabs of that new agency."

The union head was not certain that he knew anything about the papers or the foremen. He thought, however, that he might try to find out, and he added: "Your business is in a pretty messed state, Mr. —, but I suppose we will have to put you in shape again. We want good-size employment for our people and on union terms, of course."

JOHN A. FITCH¹

The Striker's Attitude toward His Job

John A. Fitch (1881-) is a professor at the New York School of Social Work, specializing in labor economics.

It is necessary to understand the point of view of the striker. He has quit his job, not because he is through with it, but because he wants to make it a better job. He has no thought of abandoning the industry or the employer. He has withdrawn temporarily in the hope that his withdrawal and the consequent inconvenience to his employer will have an effect on the job. He hopes that changes will be made as a result of which the job will be

a more satisfactory one when he goes back to it. He thinks of it, therefore, as his job. He is undergoing hardship and loss in behalf of that job. He has an eye on the future and on the opportunities that it will hold for his children, as well as for himself. Now, along comes a rank outsider and walks into the plant and takes the job that belongs to another man, and for which he has sacrificed nothing. Despite the fact that he has had the same opportunity that the striker had to get a job of his own, he has deliberately chosen to reach out and take what belongs to another. He is worse than a thief, in the striker's opinion, for the ordinary thief only takes money or goods, the results of past effort. The strike-breaker steals the future; he takes hope and opportunity and the worthwhileness of living from a man who has done him no wrong.

More than thirty years ago Andrew Carnegie wrote sympathetically on this very point: "While public sentiment has rightly and unmistakably condemned violence, even in the form for which there is most excuse, I would have the public give due consideration to the terrible temptation to which the workingman on a strike is sometimes subjected. To expect that one dependent upon his daily wage for the necessities of life will stand peaceably by and see a new man employed in his stead is to expect much."

So the strike-breaker is an object of scorn and hatred. He is a "scab"—a creature without rights that any honest man is bound to respect. The fact that the strike-breaker may himself be the victim of hard circumstances, the fact that he may not have had an opportunity to get another job and that the choice may have lain between "scabbing" and bitter hardship for his family, do not, as a rule, enter the striker's mind. The instinct of self-preservation is at work, and woe to that strike-breaker if he goes out alone at night.

¹ John A. Fitch, *The Causes of Industrial Unrest*, copyright 1924 by Harper & Brothers, New York, pp. 221-23.

SAMUEL GOMPERS¹

The Scab

... A "scab" is to his trade what a traitor is to his country. He is the first to take advantage of any benefit secured by

united action, and never contributes anything towards its achievement. He is used during a struggle to defeat his fellow-workmen, and though coddled for the time being by the employer he serves, when peace is restored he is cast out, shunned by his employers, his fellow-workmen, and the whole human family. . . .

MANAGEMENT

CLARENCE B. RANDALL²

The Employer Faces a Strike

To understand the problem of management in the midst of conflict one really should know the successive steps taken by each side in the dispute out of which the strife arises, but in the space at my disposal this would be impossible. I must ask that it be assumed, therefore, that we are studying a situation where demands have been made which management has considered thoughtfully and fairly, but which it cannot accept. I feel sure that even the most ardent labor sympathizer must recognize the contingency that when unreasonable or improper demands are made by a union they must be refused. I should then like to ask each reader, as I present these matters, to place himself mentally in the position of the corporate executive who,

when labor trouble starts, is charged with the responsibility for making immediate and final decisions for his company.

In every such situation there must be such a man. He may have assistants but it will be for him to say Yes or No. He may have a lawyer at hand, since the changing panorama of regulatory law is too bewildering for him to keep all of the details in mind, but he will not ask his lawyer to decide policy questions. In its fundamental implications the problem is not legal, but intensely practical and human. Events will move so rapidly that he will have few opportunities for calm reflection. If a major strike is called at his plant he will pass many nights without sleep, will work prodigious hours each day, will eat in strange places and at odd times, and it will be under the stress of great personal fatigue that he will face the necessity of sudden decisions, upon which his own personal reputation and that of his company for fair dealing must inevitably be staked. He will be subject to misquotation in the press, unless he declines to give frequent statements to reporters, in which case his failure to take a position will be made the subject of unfair inferences.

And yet through it all, out of all those involved in the conflict, he is probably the one man who is most anxious to do the

¹ Taken from *Seventy Years of Life and Labor*, by Samuel Gompers, copyright 1925 by E. P. Dutton & Co., Inc., New York, Vol. I, p. 129.

² Reprinted by permission of the publishers from Clarence B. Randall, "Management and Mass Activities," in R. N. Baldwin and C. B. Randall, *Civil Liberties and Industrial Conflict*, Cambridge, Mass.: Harvard University Press, 1938, pp. 84-86, 88-108.

right thing. Nothing purifies a man's soul like the necessity for making important decisions that affect the lives and welfare of human beings, and when men bearing such responsibilities take firm positions on controversial questions you may be sure that they do so because of deep conviction that what they are doing is right for their men, as well as for their company and the community as a whole.

One problem that management has to face in the midst of a labor dispute is the protection of property from mob violence. . . .

In theory this is all pretty clear. I think that most business executives have come to the conclusion in their minds that they must repel by force if necessary the invasion of their premises by an armed mob which is obviously bent upon violence and destruction. Not to do so is to break faith with ownership. The practical application of this doctrine, however, brings difficulty, as one must then straightway decide what implements of force to employ, and to what degree.

Picture yourself as the superintendent of a plant a mile square which has one large gate. Scattered throughout the premises are a dozen buildings each containing plant and equipment that has cost several millions of dollars, dollars borrowed from Main Street as well as from Wall Street. At certain strategic points within the enclosure are delicate and expensive units of machinery such as the generating plant, in which one man in thirty minutes could cause damage which would close the entire plant down for months, and which would cost very large sums of money to repair. And outside the gate are 5,000 men brandishing weapons and shouting threats. Among them are many strangers. No police officers are in sight, and the crowd mills around as it pleases. You have applied successively to the mayor of your city, the sheriff of your county, and the

governor of your state for assurances that civil authority will be maintained, but no steps whatever have been taken to prevent mob violence. You have steadfastly refused to hire as guards the so-called professional thugs about which labor leaders so frequently declaim. You have with you in the plant perhaps 200 foremen and employees whom you trust. You have seen the crowd gather, and you know that among them are a few men carrying deer rifles and shot-guns, and that nearly all have baseball bats, or black-jacks. You know to a certainty that a dangerous degree of mob frenzy is present. You are a little panicky as you realize that a bad situation is in the making. You know that if the crowd comes in serious destruction of property will take place.

What would you do? Perhaps you would have your own guards armed with a machine gun or rifles, and as the crowd broke through the gate you would, upon suitable warning, fire into the crowd to halt them. You would be wrong if you did. The better viewpoint today in industry is that ball ammunition must not be used upon crowds. No matter how great the loss, human life must not be taken by private individuals in the defense of property. The public authorities must maintain law by whatever degree of force shall be required, even to the taking of life, but we must not tolerate private warfare.

You might then suggest tear gas. That modern weapon lends itself easily to drama in the newspaper, but in reality is quite ineffective in the open air. Unless wind conditions are so perfect as to be moving directly into the faces of the mob from the direction of the defender it will quickly be dissipated. Labor mobs know that by now. Frankly there are only one or two things that can be done in such circumstances. To the extent that a fire hose will stop a crowd it can be employed,

and to the extent that loyal men can be found to undertake it, vulnerable spots can be defended by guards armed with policemen's billies, but the situation is pretty hopeless if the mob is really determined in its purpose. The plant superintendent will probably be found with a policeman's club at the most vulnerable spot in the plant, and he may there lose his life, but he will have done just about all that he can to protect the property that was entrusted to his care.

None of this would happen, of course, if civil authority were maintained. I cannot emphasize that point too strongly. It will appear again and again throughout what I shall say, and I permit the repetition only for the reason that there still are people who, because they have not seen industrial conflict at first hand, do not visualize the extent to which law and order break down. They shut their eyes to the invasion of the civil liberties of others which they would consider intolerable if duplicated in their own private lives. I agree with my liberal friends that there should be no armed guards in industrial plants, but I mean by this that there should be no necessity for having armed guards. I cannot follow them in their apologies for mobs.

It is the essence of civilization that the protection of property be made a public and not a private function, but surely the owner is not required to abandon his property if protection fails. Mobs that invade factories do not defy government, they destroy it; temporarily it ceases to exist, and the citizen who is the victim has only himself to rely upon, like that remote ancestor of his who first saw the need of government. And do not think for a moment that law and order are really difficult to maintain in well-governed communities. Lawless mobs do not form when responsible public officials make it clear that violence will not be tolerated. It is we,

the public, who are at fault. When public opinion is alert to the true significance of what is taking place, and insists that orderly government be maintained, there are no mobs and no riots. . . .

UTILIZATION OF PRIVATE FORCE

I happened to be discussing this very subject matter with a university student when what I said provoked a question that startled me with its devastating simplicity. I had been describing the destructive impact upon respect for the orderly processes of government of mob seizures of property as an implement in collective bargaining and had expressed, as I have here, the helplessness of those responsible to the owners of property for its protection. The question was simply, "Why is it that civil authority breaks down under these circumstances?" Well, why does it?

I saw at once that the student mind fresh from the study of the social sciences, history, and economics thinks in terms of the ideal, and not of the practical. The student assumes, as all good citizens would like to, that methods for the orderly government of society which democracy has established will function, that offices will be filled by men of intelligence who will perform the duties for which they are chosen, and that the laws as they exist will be enforced until the electorate decide that conditions have changed and new laws should be substituted. It is difficult for the student to conceive that laws will be set aside at the will of a particular officeholder, and that men will pervert governmental power which has been entrusted to them to purposes that advance the selfish interest of one group at the expense of the liberties of others.

The answer, of course, is that men in democracy do strange things to secure votes. And an organized minority that will seize property to compel the signing of a particular contract will not hesitate

to seize government itself. You should know, therefore, the plain fact that mayors and sheriffs are occasionally elected on the platform that they will not in any way limit the activities of labor organizations, and that governors of states have been elected on the platform that neither state police nor National Guard will be called out to quell labor disorders. This is the coercive force of the mob applied at the very heart of government. It is political and social thrombosis, and governmental paralysis results. There is no known cure for this disease except a return to sanity on the part of all good citizens who shall demand that social change be worked out within the law and not in defiance of it.

But just as 1936 brought forth the sit-down strike, so the year 1937 added a new phenomenon to industrial conflict in this country, and carried the incipient anarchy one step forward in the direction of open revolution. This was the mass transportation of factional adherents from one community to another for the intimidation of public authorities, and the forcible dissolution of the remnants of civil government. Our generation has grown accustomed to the social changes wrought by the advent of the automobile, but this latest manifestation was startling. Just as in modern warfare the armored car has become a most effective weapon, and motor transport the fastest means yet devised for rapid transportation of the fighting forces, so the armed forces of labor suddenly found the motor cavalcade to be a new and devastating medium for the deploying of mass strength.

On one occasion in a small city the highway leading into a manufacturing plant had been seized by a union and barricaded so as to permit no traffic upon it. This was done in defiance of civil authority. The mayor of the city announced that it was his duty to open the highway to traffic, and that he would do

so. He asked for assistance from the state government to supplement his own police force, but it was refused, and he, therefore, announced that at a certain time his officers would compel the opening of the highway. In reply to this, it was announced that a motor cavalcade would be organized at a city more than one hundred miles away. Personnel was required for this mass undertaking, so factories in that city were closed by a sympathetic strike, although there was no interlocking ownership, and although the two plants were in different industries. In a very short time hundreds of automobiles had been gathered into a long procession, containing thousands of men, many of whom were armed, and amid great newspaper publicity the cavalcade began to move upon the city where the mayor was undertaking to preserve order. Again he asked for state help, and again it was refused. The denouement is well known. It is known that eventually the mass movement was stopped a few miles from the city, and that an open air meeting was held in which one of the leaders said, "We will take the city," but that eventually better counsel prevailed, and no actual entry into the corporate limits took place. . . .

Now, none of this discussion is intended to touch upon the merits of the particular controversies in question. The position of management may have been right, or may have been wrong, and the demands of the strikers may have been just, or unjust, but the evil which as good citizens we must frankly recognize in this new formula for the application of force, is the threat that it carries to established government. No pretense is here made that a higher law is being served. It is just plain revolution when thousands of men who are not residents of a particular community throng into it to intimidate peace officers from preserving law and order. This cannot be right in a democracy, and cannot be just

under a government sworn to protect the rights and liberties of all. Can we possibly be so blind as not to see that out of the unlicensed tyranny of such mob movements came the appalling destruction of all liberties in the dictator-governed nations of Europe?

Surely, no sober-minded citizen thinks that mob madness of this sort is collective bargaining. Here is no orderly approach to the difficult economic problems underlying the establishment of a fair level for wages, or consideration of reasonable hours and conditions of work, but rather a bold attempt to take by force whatever organized might can seize. This is no asking of a place at the conference table by labor, no spirit of mutual helpfulness, no systematic give and take, no thoughtful analysis of whether the employer can pay a higher wage and still sell his product in a competitive market; it is simply a new form of stand and deliver; it is the gun in the back and the hand in the pocket. No individual employer can long resist such forces, and unless public opinion in society as a whole recognizes these things for what they are, anarchy and revolution, and insists firmly upon the restoration of government under law, we shall face the breakdown of our whole industrial fabric.

CLARENCE B. RANDALL¹

Employer's View of a Strike Vote

Few members of the general public know how major strikes are called unless

¹Reprinted by permission of the publishers from Clarence B. Randall, "The Plight of the Individual Worker," in R. N. Baldwin and C. B. Randall, *Civil Liberties and Industrial Conflict*, Cambridge, Mass.: Harvard University Press, 1938, pp. 116-25.

they have passed through the experience at first hand. I should not be fair if I should suggest that all strikes are called by the methods which I shall describe, but it is a subject about which the public understands too little, and in which many abuses occur. I should like to give you a composite picture which will illustrate factors which I believe have contributed substantially to the strife of the past two years.

The high command decide that a certain month and a certain week are timely. I do not altogether quarrel with this, as workingmen should have the very best in leadership, and are entitled to receive the advice and counsel of men of intelligence, and particularly men of deep sincerity of purpose and personal honesty. Since, however, this decision to strike is probably the most important single step that the workingman will take in his own life over a long period of years, and because it is jeopardizing the comfort, happiness, and even the safety and health of every member of his family, you would suppose that he would have an opportunity by secret ballot to express his own convictions. He and his fellows make up the majority whose will should govern. No step should be omitted to learn his opinion or to make it possible for him to express his desire calmly and secretly. It is his pay check that is being taken from him, and his life that will be ventured in the mob scenes that will follow. And we in America know exactly how to take a secret vote and to take it quickly. Every citizen understands the mechanics of the ballot box, and even of the voting machine.

Anyone not familiar with strike calls will be shocked to learn that ordinarily none of this familiar machinery is employed. Instead, a large open-air mass-meeting is held to which all are invited. With a prelude of parades and bands, a large crowd gathers around an elevated

platform, from which will be heard inflammatory speeches of great oratorical power. The meeting starts with a condemnation of the rich. If there has been precedent labor disorder at another point, and men have been injured, they are placed upon the platform and their wounds exposed. If tragedy has struck, and a man has been killed in labor disorder, a funeral oration is delivered above his body in the fashion made forever effective by Mark Antony.

The makeup of the crowd, however, is the significant thing, and no outside observer could ever successfully penetrate that disguise. Only a plant superintendent who knows by sight every man in his factory could prove to you what is actually the fact, namely, that throughout the crowd will be scattered strangers who are skilled in the manipulation of crowds, and who will respond to the reactions of the speakers at known signals. At last comes the climax, and the speaker calls for a Yes and No vote as to whether there shall be a strike. When he puts the question, a lusty shout of "Yes" goes up, and when he puts the contrary, not a voice answers. That afternoon the papers announce that the men voted unanimously to strike.

What should a worker have done who did not want to strike, but who liked his job, and was satisfied that he was being fairly dealt with? The first thing that he might have done, obviously, would be to stay away from the meeting. His wife would have told him that the best thing to do was to keep out of it. And if curiosity had overcome his better judgment, and he had found himself at the meeting wedged between two tough-looking men on either side, do you think he would have called out "No"? Certainly not, and neither would the hundreds of others who felt as he did, but who had no relationship one with the other, and no protected way of expressing their real opinion. When

Mark Antony comes down from the rostrum and adopts the secret ballot, fewer strikes will be called, and those that are called are apt to be won, because they will be based not upon mob psychology but upon the sober sense of the entire working force that a real grievance exists which needs to be corrected.

Sometimes the meeting is called at the labor hall. Carefully scattered throughout the group are those who know their part in the proceeding. Again the man who is afraid of trouble stays at home. If there is any doubt about the outcome the meeting may be prolonged far into the night, until many have left. Then the majority of those present, and not the majority of those to be affected, decide to strike. The decision is taken viva voce and not by written ballot. Each strike has its own phenomena, and the procedure varies from time to time, but the absence of a secret vote is characteristic. The whole background of American institutions cries out against this and demands that the man who is to be sent into industrial conflict be given an orderly and protected opportunity to express effectively his own desire with regard to the issues at stake.

In spite of the foregoing, however, there will still be found occasionally in the ranks of those lowest in the industrial scale an upstanding individual who proposes to do his own thinking, and who doesn't sign if he really doesn't want to, and who doesn't approve of the strike. The next question, therefore, is what happens to that type of individual.

Primarily, it is for him that the picket line exists. He is apt to get the obstinate idea that he would like to work, and that he doesn't propose to have someone else whom he has never seen, and in whom he has no interest, make that vital decision for him. He, therefore, starts for the plant with his dinner bucket, but he very quickly changes his mind when he en-

counters the modern picket line. When he arrives at the gate, he finds it closed, and posted at close intervals around it, he finds a pretty determined group of men. Some are carrying placards, but he knows that primarily they are there to catch the eye of newspaper photographers. The first thing that causes him to hesitate is the fact that he sees a great many unfamiliar faces in the picket line. He doesn't know who they are, but he realizes that they do not work at the plant. He sees that nearly every man has either a ball bat or a short club, and he notices nearby a pile of paving stones that is not usually there. He turns quietly on his heel and goes home.

The term peaceful picketing is a euphemism much in vogue in this country which is employed principally by intellectuals who have never participated directly in industrial conflict. Peaceful picketing is effective in a strike where there is a real grievance, and where the men understand without oratory that they have been badly treated by an unscrupulous employer. When that happens, and I am sorry to say that it does happen, the force will go out to the last man, and stay out until the grievance is corrected. But when a plant is well managed, and wages are high and conditions satisfactory, and the employees know in their own hearts that they are being well treated, there can be no such thing as peaceful picketing. The great body of workmen would utterly ignore it, and go back and forth to work on schedule. Make no mistake about it. In such situations the only picketing that is effective is that of the ball bat and the short piece of gas pipe. When the public authorities permit this, such strikes succeed, and when they do not, they fail.

I spoke above of the strange faces in the picket line. It has now become quite common practice in industrial conflict for professional pickets to be imported. They constitute the shock troops of the new labor movement. Often they are specially

trained, but always they are men who have had previous strike experience, and whose loyalty to the organizer has been proven. Usually that loyalty is well reinforced by good pay, but just as military commanders in the past have broken up fraternization by the importation of mercenaries speaking a foreign language, so the labor organizer protects himself from the uncertain loyalty of the novice by putting on the picket line men who have demonstrated their worth to him in other strikes. Everyone knows that such men are often transported across state lines, although the converse, the interstate transportation of guards, is strictly prohibited by law to the employer.

When the situation along the picket line becomes tense, further invasion of civil liberties is bound to follow. An employer is always faced with the necessity of maintaining within his plant the essential services for the preservation of its equipment. In a steel plant, for example, the coke ovens and the blast furnaces must be kept hot, and the moving parts of high speed machinery well lubricated. It would not be safe to expose the men engaged on such services to the hazard of attempting to pass back and forth daily through armed picket lines, and therefore, they must be housed within the plant. Obviously, they must be fed. In such situations picket lines have a way of trying to cut off the bringing of food supplies into the plant to the men engaged in such services, even though no actual production is being undertaken. Highways are taken over by the pickets and blocked so that meat and grocery trucks are not permitted to pass. Railroad tracks entering the plant are likewise barricaded, and if an effort is made to put a locomotive over them the rails and ties are torn up. None of this can happen if the municipal or state authorities possess the power and the will to enforce the law, and it seems strange indeed that good citizens who most obvi-

ously are sincere in their desire to promote better social conditions can bring themselves to tolerate and approve these manifest invasions of the individual's right to do as he pleases.

It seems to me that right there is the nub of the whole matter. Either a man is free, or else he is not. Either we believe in our democracy, or else we do not. Either the individual worker is to have an American opportunity of living his life as he wishes, or else he is to be cast in the totalitarian pattern. Either he shall have in collective bargaining a representative whom he really chooses, which may, of course, according to the statute be himself, or we should abandon pretense and proclaim that he shall forthwith join whatever organization the public officials shall designate, or have no job. Either we intend to protect human rights in this country, or else we do not. If this still is a democracy, and if we still believe in government under law, we cannot forsake the man who is happy in his job, and who wants to work at it. We cannot suspend the processes of the law and permit a powerful organized group, no matter who they may be, to drive him away from his job and deprive him of his right to work.

DAVID J. SAPOSS
and ELIZABETH T. BLISS¹

The "Mohawk Valley Formula"

David J. Saposs (1886-) is a labor economist associated with the Wisconsin school. Formerly economist for the National Labor Relations Board, he is

now with the United States Department of Labor.

Elizabeth T. Bliss was a Junior Economist for the National Labor Relations Board.

Because the "Mohawk Valley Formula," as it is called, has played such an important role in the employers' anti-union offensive, . . . the NLRB summation is reproduced here.

"First: When a strike is threatened, label the union leaders as 'agitators' to discredit them with the public and their own followers. In the plant, conduct a forced balloting under the direction of foremen in an attempt to ascertain the strength of the union and to make possible misrepresentation of the strikers as a small minority imposing their will upon the majority. At the same time, disseminate propaganda, by means of press releases, advertisements, and the activities of 'missionaries,' such propaganda falsely stating the issues involved in the strike so that the strikers appear to be making arbitrary demands, and the real issues, such as the employer's refusal to bargain collectively, are obscured. Concurrently with these moves, by exerting economic pressure through threats to move the plant, align the influential members of the community into a cohesive group opposed to the strike. Included in this group, usually designated a 'Citizens' Committee,' are representatives of the bankers, real estate owners, and businessmen, i.e., those most sensitive to any threat of removal of the plant because of its effect upon property values and purchasing power flowing from payrolls.

"Second: When the strike is called raise high the banner of 'law and order,' thereby causing the community to mass legal and police weapons against a wholly imagined violence and to forget that those of its members who are employees have equal

¹ David J. Saposs and Elizabeth T. Bliss, *Anti-Labor Activities in the United States*, League for Industrial Democracy, New York, June, 1938, pp. 19-21.

rights with the other members of the community.

"Third: Call a 'mass meeting' of the citizens to coordinate public sentiment against the strike and to strengthen the power of the Citizens' Committee, which organization, thus supported, will both aid the employer in exerting pressure upon the local authorities and itself sponsor vigilante activities.

"Fourth: Bring about the formation of a large armed police force to intimidate the strikers and to exert a psychological effect upon the citizens. This force is built up by utilizing local police, State Police, if the Governor cooperates, vigilantes, and special deputies, the deputies being chosen if possible from other neighborhoods, so that there will be no personal relationships to induce sympathy for the strikers. Coach the deputies and vigilantes on the law of unlawful assembly, inciting to riot, disorderly conduct, etc., so that, unhampered by any thought that the strikers may also possess some rights, they will be ready and anxious to use their newly acquired authority to the limit.

"Fifth: And perhaps most important, heighten the demoralizing effect of the above measures—all designed to convince the strikers that their cause is hopeless—by a 'back to work' movement, operated by a puppet association of so-called 'loyal employees' secretly organized by the employer. Have this association wage a publicity campaign in its own name and coordinate such campaign with the work of the 'missionaries' circulating among the strikers and visiting their homes. This 'back to work' movement has these results: It causes the public to believe that the strikers are in the minority and that most of the employees desire to return to work, thereby winning sympathy for the employer and an endorsement of his activities to such an extent that the public is willing to pay the huge costs, direct and indirect,

resulting from the heavy forces of police. This 'back to work' movement also enables the employer, when the plant is later opened, to operate it with strikebreakers if necessary and to continue to refuse to bargain collectively with the strikers. In addition, the 'back to work' movement permits the employer to keep a constant check on the strength of the union through the number of applications received from employees ready to break ranks and return to work, such number being kept a secret from the public and the other employees, so that the doubts and fears created by such secrecy will in turn induce still others to make applications.

"Sixth: When a sufficient number of applications are on hand, fix a date for an opening of the plant through the device of having such opening requested by the 'back to work' association. Together with the Citizens' Committee, prepare for such opening by making provision for a peak army of police by roping off the areas surrounding the plant, by securing arms and ammunition, etc. The purpose of the 'opening' of the plant is threefold: To see if enough employees are ready to return to work; to induce still others to return as a result of the demoralizing effect produced by the opening of the plant and the return of some of their number; and, lastly, even if the maneuver fails to induce a sufficient number of persons to return, to persuade the public through pictures and news releases that the opening was nevertheless successful.

"Seventh: Stage the 'opening' theatrically, throwing open the gates at the propitious moment and having the employees march into the plant grounds in a massed group protected by squads of armed police, so as to give to the opening a dramatic and exaggerated quality and thus heighten its demoralizing effect. Along with the 'opening' provide a spectacle—speeches, flag raising, and praises for the employees,

citizens, and local authorities, so that, their vanity touched, they will feel responsible for the continued success of the scheme and will increase their efforts to induce additional employees to return to work.

"Eighth: Capitalize on the demoralization of the strikers by continuing the show of police force and the pressure of the Citizens' Committee, both to insure that those employees who have returned will continue at work and to force the remaining strikers to capitulate. If necessary, turn the locality into a warlike camp through the declaration of a state of emergency tantamount to martial law and barricade it from the outside world so that nothing may interfere with the successful conclusion of the 'Formula,' thereby driving home to the union leaders the futility of further efforts to hold their ranks intact.

"Ninth: Close the publicity barrage, which day by day during the entire period has increased the demoralization worked by all of these measures, on the theme that the plant is in full operation and that the strikers were merely a minority attempting to interfere with the 'right to work,' thus inducing the public to place a moral stamp of approval upon the above measures. With this, the campaign is over—the employer has broken the strike."

CLINTON S. GOLDEN and
HAROLD J. RUTTENBERG¹

Unions' Actions Reflect Management's Actions

The sit-down strike is an American product, invented and perfected by man-

¹ Clinton S. Golden and Harold J. Ruttenberg, *The Dynamics of Industrial Democracy*, copyright 1942 by Harper & Brothers, New York, pp. 43-47.

agement and later adapted by labor unions to serve their own purposes. Management showed unorganized workers the way to the sit-down strike. The lost outdoor picketing strike, broken by housing strike-breakers inside the plant, is the mother of the sit-down strike. We examine the mother and its child.

Summer, 1933. . . . "STRIKE FLARES AT STEEL MILL," the paper headlines. . . . Stretching for more than a mile on the outskirts of town, the steel mill is quiet. The sky is clear except at the eastern end of the mill—where coal-black smoke is gushing out of three smokestacks, the slight wind directing it in three steady streams to the south. Nothing is coming out of the many other smokestacks. . . . A small band of men is standing around each entrance. At the main gate a two-roomed trailer serves as strike headquarters. Small wooden and cardboard shacks at the other entrances look puny and weak against the huge mill buildings. As a photographer snaps a picture of the streaming black smoke a picket says to him, "They're burning tar in the furnaces. The punks they've got in there can't even cook soup, let alone make steel. They gotta be fed from the outside." . . . At dusk a big moving van, escorted by six police cars with officers standing on the running boards gripping tear-gas guns and grenades, rolls toward the main mill gate. Cautiously several policemen step down from their cars and walk toward the gate. One unlocks it as the others keep guard. The handful of pickets gather together at the side of their small cardboard shack. Once open, the police and moving van move quickly inside the mill gate. The guarding policemen close it and mount the last car, and the caravan races down the mill road leaving a trail of cinder-road dust behind. By this time a crowd of several hundred strikers has gathered outside

the gate. One of them stands on the hood of a parked car, and speaks.

"That's the last truckload of food those Cossacks are goin' to take in to the scabs." He reminds the men that the strike-breakers who are eating and sleeping inside the mill are taking the bread from their families' tables. . . .

"BOY SIXTEEN KILLED: STRIKERS RIOT," the paper reads the following day. Early that morning the police had tried to get the moving van out through another entrance. Halfway through the gate the van blew a tire, two others went flat and it stalled a few yards out from the mill fence. Tear gas was used by the police, mostly inexperienced deputies or imported gunmen, and a young boy standing more than three hundred feet from the mill fence was shot.

"MAYOR TO CONDUCT BACK-TO-WORK VOTE," the next day's paper read. . . . "TEN-TO-ONE VOTE RETURN TO WORK," the mayor announces in the evening paper. . . . From three different directions early the next morning, large bands of armed men lead groups of workers toward the mill. The strikers are pitched for battle at each entrance. Suddenly they are showered with small pieces of steel, rocks, buckshot, and tear gas from men standing on mill roofs or at mill windows. A motorcade of trucks and cars rushes toward the gates, spitting out tear gas, stones and buckshot. The strikers run for cover. The gates are opened. . . .

"MILL WORKERS RETURN TO JOBS," the paper reads that evening. . . .

A hardy but small group of men gather for a meeting in the union hall. The organizer advises them to return to work and try to get their jobs back. He says the national union is preferring charges against the company with the NRA, and that the rights of the men and their union are going to be protected if the union has to go to the Supreme Court. A tired man

with bloodshot eyes announces that he had been to the mill for his job but was told to go ask the union for a job, because he was on the picket line and the company had a picture of him there. . . . Dragging themselves out of the hall into the stillness of the evening, hands in pockets, their chests half bared by open shirt collars, the small band of last-ditch union workers looks up at the blue sky—speechless but telling a mighty story by their silence.

Little did they know that though their strike was lost their cause was not. This was not the first strike that organized labor had failed to win. The old-timers could have told them of many that turned out that way before; of strikes that were more bitter, more violent. But the story was the same each time, the union lost. Why? There were many reasons advanced but they all added up to defeat. Leaders of organized labor said the men would not stick to the union. The men themselves had other ideas, thought something was wrong with the way the strike was run. They did not know what—only that something was wrong. When they finally learned what it was, workers began to change their strike tactics with lightning speed—to the surprise of organized labor leaders as much as to the dismay of management officials.

The sit-down was not a strike but a wave of strikes. From the Akron, Ohio, Goodyear Tire and Rubber Company strike of February-March, 1936, to the Supreme Court decision of February 29, 1939, workers, to a large degree, abandoned the conventional outdoor picketing strike for the more dramatic and effective sit-down. The results were phenomenal.

In the sit-down, workers used the tactics management had employed with so much success in breaking outdoor picketing strikes. They housed and fed themselves. They had no picket lines to maintain, no

pickets for management to disperse. There were no strikebreakers eating and sleeping inside the plant to break their morale. They had no fear of "scabs" breaking through their lines, no fear that some production might be shipped by bosses and strikebreakers who were staying inside. The psychological advantages that had been management's in an outdoor picketing strike now belonged to them. The initiative for violence was up to management. Company police would have to attack them to try to drive them out of the plant. They no longer had the responsibility for violence that rested with strikers when they had to resist "scabs" going through their picket lines. "Why leave the plant only to have company police club us and scabs crash the picket line to take our jobs?" workers asked themselves. Why not just stay on the jobs, and let management figure out what to do? This they did, and management could figure out nothing except to bow to the unions' demands for collective bargaining.

That was the sit-down, which helped to put industrial unions over the top. So bold and daring was the sit-down as a tactic that leaders of organized labor shunned it for years, only to have unorganized workers employ it with swift effectiveness. Their leaders did not teach the sit-down to them; workers learned it from management, and the newspapers unwittingly gave it a national impetus. Strikers housed and fed themselves inside the plants with as much success as management, for decades before, had housed and fed strikebreakers.

The popular illusion that the sit-down strike is a foreign import, invented by coal

miners in Terbovlje (Yugoslavia), Pecs (Hungary), and Patowice (Poland) and popularized by "a million French workers," is unfounded in fact. The consistency with which American workers have refused to be influenced by foreign labor developments makes the foreign-product explanation of the sit-down strike highly dubious. The policies and actions of American workers over the decades have been products of an American environment.

We are not discussing the merits or demerits of the sit-down strike; our purpose is merely to point out its origin. We do this to illustrate that the policies of unions are formulated as a consequence of management's policies. To be sure, union policies, regardless of their original motivation, set in motion an interaction of union and management policies; but the initiative to reverse the action-and-reaction circle can be taken only by management. The policies and actions of management are all-determining to the union in the shaping of its policies. For example, the union cannot adopt cooperative policies while management is pursuing hostile ones. By the same token, management has to adopt cooperative policies and prove them by action before the union can afford to drop its hostile policies and follow suit. In our daily work we are guided by the basic policies of management in each particular situation where we advise or formulate union policy. The degree of effectiveness of a union leader charged with responsibility for several local unions will vary, as a rule, in direct proportion to his ability to ascertain quickly and accurately the policies of management in each particular case.

15. Alternatives to Force

WHEN collective-bargaining negotiations break down, the parties may resort to force or to a third party. Third parties may intervene in various ways, and the alternatives to force, when the parties cannot agree between themselves, are the various types of third-party intervention. This intervention is directed at securing a settlement of disputed matters without resort to force. The parties and the public have come increasingly to depend on it as a means of avoiding open warfare.

Some confusion has existed in terminology, particularly as between conciliation and mediation. Conciliation sometimes is used to describe negotiations between management and the unions—the parties seek reconciliation through their own efforts. Mediation then is employed to designate the intercession of a third party to arrange amicably differences between them. Alternately and more frequently, in the parlance of the practitioners of industrial relations, conciliation means the interposition of an intermediary who gets the parties to meet together or carries proposals and counterproposals back and forth between them. The third party intervenes to the minimum extent and seeks chiefly to create a situation where the parties can more readily achieve their own reconciliation. Mediation then designates more active participation by the third party. The third party makes proposals to the parties and seeks to persuade or even pressure them, through outside private or public agencies, to accept a peaceful settlement.

It is a short step from mediation so conceived to the mildest form of arbitration. Confusion exists here also. Arbitration, strictly speaking, is the hearing and determination of a case in controversy by a third party. It involves the power to settle. In practice, arbitration is spoken of as starting with the power to make public recommendations, which the mediator, as defined above, does not have. These recommendations do not have to be accepted by the parties. The result of this is sometimes called voluntary acceptance of the award, or fact-finding, although fact-finding on occasion is limited only to public presentation of the facts without recommendations. Compulsory acceptance of the award is more nearly true arbitration. Arbitration may further be differentiated by the degree of choice permitted the parties in accepting or refusing it at the outset.

Third-party intervention thus ranges from the slightest influence to complete power. Many gradations exist in the third party's extent of influence, inadequately

indicated by the terms "conciliation," "mediation," "voluntary" and "compulsory arbitration." Many gradations exist between complete discretion to the opposing parties and complete discretion to the third party. All of them are part of the same process of reaching a settlement in controversies between the parties of direct interest through external participation, and they may be viewed as an extension of bargaining. Careful judgment is required to determine how much intervention the parties will or should accept in each circumstance or type of situation.

How much intervention will the parties accept in a democracy to avoid strikes or lockouts or other applications of force? In a democracy many rights are reserved for employers and for workers and their organizations. Freedom means freedom of choice to settle or not to settle. The control permitted to the state, the chief source of intervention, must of necessity be limited. In a system based primarily on voluntarism, intervention in any form must generally be accepted by the parties formally or tacitly. During World War II, the Federal government called the top leaders of industry and labor together to get their acquiescence to the establishment of arbitration machinery through the War Labor Board. Widespread acknowledgment of the necessity brought formal acceptance. The Railway Labor Act establishing compulsory investigation (fact-finding with recommendations) was essentially based on the private advance acceptance by the parties.

When private negotiations have been unsuccessful, the acceptance or rejection of third-party intercession largely depends on two general factors: (1) the prospective cost of the other alternative—the use of force—and (2) the prospective cost of the intercession. The greater the cost of force, the greater the concession to intercession. The less the risk from intercession, the more likely its acceptance. Thus we must inquire when force costs the most, and when intervention involves the least risk. Force is most costly when the parties are equally powerful. Strikes or lockouts may last a long time if a real trial by combat is undertaken. Intervention may appear less costly as increasingly powerful adversaries confront each other. The use of force, further, is expensive to the parties if it arouses public opposition. Thus on the railroads or in public utilities or in wartime, greater intervention is accepted than when the public interest is less involved and public wrath less assured. Frequently it is the weaker party which invites intervention, since it has the more to lose from resort to force.

The reduction of risk facilitates favorable reception of third-party participation. Conciliation involves less risk to the parties than mediation and thus is more readily accepted; similarly, mediation more readily than arbitration. The narrower the limits within which the third party can operate, the more likely the acceptance. This is the important distinction between primary and secondary disputes. In the primary dispute over the terms of a new contract, the third party has great latitude. The possible determinations or recommendations are not narrowly prescribed. Wages may be subject to change, or management rights, or union security. In secondary disputes, however, the contract already exists and the question

is its proper interpretation or application. The third party is restrained from changing basic relationships. Consequently, the parties normally reject arbitration of primary disputes and accept arbitration of secondary disputes. Certain issues are more frequently arbitrated in primary disputes than others. The parties will refer minor unresolved issues to arbitration more willingly than major ones. Among major issues they more frequently arbitrate wages. The offers of the parties set outer limits to the award, and certain ill-defined but fairly well-accepted criteria for wage determination exist. The outer limits are usually so set in advance that an award would not bankrupt the company nor destroy the union. The most nearly unarbitrable issues are those touching the basic survival needs of the parties—management's right to manage and union security. The parties seldom are willing to entrust their survival to third parties. Also, in the area of management prerogatives and union security fewer widely accepted criteria exist.

Intervention consequently is most acceptable where the third party has limited discretion or where it is the only practical alternative to costly force. This explains the relatively frequent use of arbitration in secondary disputes, in public utilities, and in wartime. It also explains why the public generally favors intervention. Resort to force often costs the public inconvenience or deprivation not offset by any prospect of gain, and intervention involves relatively little risk for it. If and as the parties jointly become stronger, as more industries take on aspects of public utilities, and as criteria in adjudication are more specifically developed and accepted, third-party intervention may be expected to increase.

What can a third party contribute to settlement? It might seem that if the two original parties with their greater familiarity had not found a sufficient area of agreement, an outsider could do little if any better. Third parties can, however, on occasion provide the basis for settlement. The third party out of greater talent or more diverse experience may provide skill at exploring new avenues of approach or introduce greater powers of persuasion. The very process of intercession may bring in new facts which clarify the situation, or provide for more time in which the parties can adjust themselves to new possibilities or in which external forces conducive to peace can be brought to bear on them. Intercession may also serve to "save face." The parties may be able to accept an offer made through an intermediary, or a suggestion from a mediator, or an arbitration award, where they could not agree directly. It offers them a chance to withdraw from a prior position without as much embarrassment, or to shift responsibility in their own minds, or in the minds of their clientele, to the third party. Intervention brings in a further new element, particularly in its more advanced forms. Pressures from other unions, or other employers, or the government, or the public may be mobilized to increase the apparent or actual cost of warfare and make a peaceful settlement seem the cheaper alternative. Intervention quite obviously does not always succeed. Sometimes the techniques are inadequate, or the parties want a strike or lockout for its own sake, or they count the cost of combat and decide it is still worth it.

Controversy exists particularly over arbitration, for it involves the greatest interference. On the level of techniques two major theories exist. One holds that the arbitrator is a friend of the parties who seeks to help them in finding agreement. Arbitration is viewed as an extension of mediation, with the mediator having the power of decision, but that essentially the decision should fall in the area of expectancy of the parties and be generally acceptable in advance. This might be termed "mediation-arbitration." The other theory holds that arbitration is a judicial process. The parties should be kept at arm's length. The hearings should be formal. The decision should flow from the facts and the law as set out in the record regardless of how the parties may view the dispute. This might be termed "judicial-arbitration." The first school holds that authoritative decisions are less fully acceptable; the second that justice must in a sense be blind to everything except justice.

On the level of social policy, the controversy is over how much intervention is desirable and more specifically whether the government should impose compulsory arbitration. On the one hand, it is held that private force should not be the arbiter of differences but that force if it is to be applied at all should be by the government as the representative of the whole public. The application of private force has been restrained in other areas of social relationships and should be also in employer-employee relations. The contrary view is that democracy requires freedom of action, particularly in the making of contracts. The parties must be free to make or not to make contracts, else essential liberties will be destroyed and an increasingly regimented economic and political system ushered in.

Modern economic systems are becoming constantly more interdependent. The division of labor means that each segment relies on nearly all others. The refusal of any single segment to co-operate may negate the efforts of the rest. Smaller and smaller groups become able to stall the whole machinery. The application of force becomes a weapon not alone against the other party but against society itself, sometimes inadvertently and sometimes consciously in order to secure government intervention. Successful negotiations and, if these are not forthcoming, successful intervention, short of compulsion, become of increasing public concern. When the choice has to be made between anarchy from disastrous disputes on the one hand or compulsion on the other, the public generally prefers the latter, as in wartime or in public-utility disputes. One test of collective-bargaining machinery, viewed broadly to include conciliation, mediation, and voluntary arbitration, is whether it can steer a course between compulsion and anarchy.

CONCILIATION AND MEDIATION

NATIONAL LABOR-MANAGEMENT CONFERENCE¹

Initial Collective Agreements

Committee V has discussed the procedures and rules by which the difficult approach of labor and management to negotiation of first agreements may be made mutually satisfactory, and so strikes and lock-outs may become the last resort.

The committee has discussed the means of reducing industrial disturbances to the greatest extent possible, and the aids which may be provided to assist the parties in resolving their differences.

The following recommendations grow out of the discussions of the committee. In making these recommendations, the committee has been fully cognizant of the varying circumstances which distinguish the needs and problems of different industries.

1. Collective bargaining undertaken promptly and in good faith, following recognition of a properly established bargaining agent either by acceptance by the employer or by operation of lawfully constituted procedures, is viewed as the first step to avoid strike action by the union or refusal to bargain by the employer.

Observance of the following widely applicable rules will contribute to orderly and peaceful procedures in making the first contract:

(a) The employer should not question

his obligation to bargain with the union chosen as the bargaining agent for all employees in a properly established bargaining unit.

(b) Neither side should delay immediate establishment of bargaining relationships and commencement of contract negotiations.

(c) In their negotiations, the parties should look toward the preparation of a signed agreement covering a defined period of time.

(d) Before specific bargaining on individual items is undertaken, each party should present to the other a general statement of its position and the parties should then explore them jointly. Areas of agreement should be carefully sought. Precise definition of the issues also should precede specific bargaining. In consummating their first agreement, the parties should carefully define its scope and terms.

(e) It is well that respect and consideration be given to proposals presented by either the employer or the union and every reasonable effort made to bring about accord before any unreasonable ultimatum is issued by either side. Both sides should avoid inflammatory statements which question the sincerity or good faith of the other party.

(f) Both parties should avoid threats or actions which interfere with normal operations while negotiations are still proceeding in good faith and until all other peaceful procedures have been exhausted.

2. Conciliation should be employed by the parties if collective bargaining has not resulted in agreement. Such conciliation may be private or public, and if public, local, State or Federal, as best suited to the circumstances.

¹ United States Department of Labor, Division of Labor Standards, The President's National Labor-Management Conference, November 5-30, 1945, Bulletin No. 77, 1946.

Conciliation, however, should not be the first resort of the parties, but should be undertaken only after reasonable time and full effort to reach agreement has been made by direct negotiation.

The conciliator should, wherever possible, be invited by both parties to participate. If that is not possible, the best practice is for the party inviting the conciliator to notify the other party of this action.

3. If direct negotiations and conciliation have not been successful, voluntary arbitration may be considered by the parties. However, before voluntary arbitration is agreed upon as a means of settling unsettled issues, the parties themselves should agree on the precise issues, the terms of submission, and the principles or factors by which the arbitrator shall be governed.

UNITED STATES DEPARTMENT OF LABOR ¹

Labor-Management Policy for U. S. Conciliation Service

Definite steps for strengthening voluntary procedures in handling industrial disputes by the Conciliation Service of the United States Department of Labor were recommended by its Labor-Management Advisory Committee, in a recent statement of policy, unanimously adopted, which constituted the first public action of the committee.

In stressing the need for preserving maximum flexibility in the mediation program of the Service at this time, the Committee emphasized the fact that, with the lifting of Federal wartime wage and re-

lated controls, free collective bargaining has emerged as the primary means of resolving industrial controversies, and that the Government's basic role is now limited to one of voluntary mediation through the Conciliation Service. The Committee therefore recommended the further development of four major techniques for this type of mediation in special kinds of dispute cases, to supplement the regular activities of the Service.

(1) Special conciliators.—The establishment of a panel of men nationally known for their work in labor relations was recommended, the members to be used as special conciliators in major industrial disputes.

(2) Tripartite mediation.—Indicating that in certain types of disputes the utilization of industry and labor representatives, to serve in an advisory capacity with the Federal conciliator, might be helpful, the Committee suggested the establishment of panels of such representatives by the Service.

(3) Voluntary arbitration.—With regard to controversies arising over the interpretation or application of the terms of a collective agreement, it was recommended that if industrial relations were likely to be improved thereby, provision be inserted in the contract for the use of voluntary arbitration as a final step in disposing of those grievance issues which are arbitrable under the agreement.

After all mediation processes have been exhausted, voluntary arbitration also may be recommended by the Conciliation Service as useful in disputes involving basic contract terms, although the Committee held that new issues should be determined at the bargaining table.

(4) Emergency boards of inquiry, to be appointed outside of the Federal Government, are recommended for disputes of national importance only after all normal mediation efforts have failed, and by consent of the disputants. Their essential

¹ United States Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*, January, 1947, pp. 81-83.

functions are to conduct hearings on the issues involved and to publish findings based on the evidence submitted at such times.

No single one of the above steps was expected to be a cure-all, but each procedure, in its proper place, was recommended as useful in assisting representatives of labor and management to arrive at a voluntary settlement of their problems.

Established on recommendation of the President's National Labor-Management Conference on industrial relations, in January 1946, the Labor-Management Advisory Committee of the U. S. Conciliation Service affirmed its unanimous belief in the workability of free collective bargaining. Any form of compulsory arbitration or "super-machinery" for the disposition of labor disputes, in its opinion, might defeat rather than promote industrial peace.

The Advisory Committee consists of eight members, divided equally between labor and management, with two each appointed by the Secretary of Labor on recommendation of the American Federation of Labor, the Congress of Industrial Organizations, The National Association of Manufacturers, and the United States Chamber of Commerce, respectively.

A. G. TAYLOR ¹

Methods of Adjusting Industrial Disputes

A. G. Taylor is an attorney now in private practice. Formerly he was professor of political economy and assistant

¹ Reprinted by permission from A. G. Taylor, *Labor Problems and Labor Law*, copyright 1938 by Prentice-Hall, Inc., pp. 563-65.

dean at the Marshall-Wythe School of Government and Citizenship, College of William and Mary.

Socially undesirable as strikes may be, the problem of achieving and maintaining industrial peace cannot be solved by forbidding strikes absolutely. Since the overwhelming majority of strikes occur because of pressure by one or both sides in an attempt to drive a better bargain, strikes can only be stopped by substituting a better method of driving bargains. Carefully drawn contracts between employers and employees serve to prevent future misunderstandings. Deliberate and sincere investigations into the causes of strife and the use of industrial conferences will materially lessen industrial warfare. When such methods are not voluntarily employed by industry, governmental guidance becomes necessary. The basis for peaceful industrial conditions lies fundamentally in the unrestricted opportunity for collective bargaining to be carried on through joint conferences of union officials and representatives of the employers. Out of these joint conferences may come *trade agreements*: formal bargains governing wages, hours, recognition of the union, and general conditions of employment. These compacts usually have a specific time limit, at the end of which a new joint conference must be held for renewing an old trade agreement or drawing up a new one. It is best that the period covered by the trade agreement be relatively short; not over three years, or five at most, because of the loss which either party to the contract must suffer through price fluctuations.

Disputes may of course arise over the interpretation or application of the terms of the trade agreement, as they may arise in the absence of any agreement. If these disputes are settled by direct conference between the employers and employees in-

volved, or by their representatives, without the interference of a third party, the settlement is termed *conciliation*. When an outside person or body operates either at the request of or by consent of both parties, offering suggestions and advice with a view of bringing the disputants together, the procedure is designated *mediation*. The terms mediation and conciliation are often used interchangeably in a careless manner. The methods are similar in that neither is compulsory nor judicial, but rather in that they represent forms of industrial diplomacy.

When the milder, diplomatic methods fail to bring about an amicable settlement, a judicial method called arbitration may be used. *Arbitration* involves the submission of a controversy to a person, board, or court charged with the duty of making an investigation and submitting a decision. Arbitration may take one of several forms. It may place the issue in the hands of an individual, of a non-partisan board, or of a bi-partisan board with a non-partisan chairman. Arbitration may be either compulsory or voluntary, and the decisions or awards rendered may be either compulsory or voluntary. *Voluntary arbitration* implies mutual consent of the parties to the controversy to place their cases in the hands of a third party for investigation and decision. If in submitting the case to arbitrators, the parties also agree to accept the award, they are morally bound to do so. Since the arbitration is voluntary, however, the award may likewise be accepted or rejected at will. Thus such an agreement becomes more fully characterized by the term *voluntary arbitration with voluntary award*. If the initial agreement provides for the compulsory acceptance and enforcement of the award, the arrangement is known as voluntary arbitration and compulsory award.

Compulsory arbitration takes place when a governmental organization compels the

parties to a dispute to submit their differences to an outside body for adjudication. If the acceptance or rejection of the award is left to the will of the contending parties, a case of *compulsory arbitration with voluntary award* exists. If, on the other hand, the law compels both the submission of the case and the acceptance of the arbitrator's decision, the method is called *compulsory arbitration and compulsory award*.

Compulsory investigation is another phase of state compulsion in connection with labor disputes, whereby all requisite information touching the case is gathered and publicized, through summoning witnesses and providing the facts for public consumption. In the United States many statutes provide for compulsory investigation without compelling a cessation of strikes or lockouts. A state which prohibits strikes and lockouts pending investigation and arbitration, provides time for the passions of belligerents to subside and for the award to be accepted through the force of crystallized public opinion.

WILLIAM H. DAVIS¹

The Strike as Basis for Settlement

William H. Davis (1879-) was Chairman of the National War Labor Board, and active participant in the resolution of major industrial disputes. Now he is in the private practice of law.

In the first place, a strike in the ordinary industrial relationship is, as you

¹ William H. Davis, "Collective Bargaining and Economic Progress," *Industrial Disputes and the Public Interest*, Institute of Industrial Relations, University of California, 1947, pp. 12, 13.

know, a part and a very useful part of the machinery of collective bargaining. . . . In the last fifteen minutes of big controversies it is the right to strike or the threat of a strike, the possibility of a strike, that is the instrument with which the controversy is settled. It is always present at the conference table. It is the thing that puts a limit on unreason and it is the thing that holds the parties in the last fifteen minutes to the full responsibility of making their own decisions. And without that responsibility you do not have collective bargaining.

Don't I know that! Having been Chairman of the War Labor Board for several years! What we did to collective bargaining! If there is some place that you can take the "baby" in the last fifteen minutes, one side or the other is going to think that that is a better place than to sign the contract that is on the table, and you don't have genuine collective bargaining.

So the strike in the ordinary, everyday round of affairs is the way you settle the thing finally. It is like my going into a store to buy a pair of socks. The fellow shows me socks and he says, "\$1.50." I say, "I don't want them. It is too much."

Well, we haven't done any business. He hasn't sold the socks and I haven't got any socks.

I go out, however. The world is still revolving. I go around town looking for socks, and I find I can't get any socks for less than \$1.50. So I get more reasonable and I think, "Well, maybe I will go back and buy those socks." But maybe by the time I get back the fellow has found that he can't move the socks at \$1.50 and he offers them at \$1.25.

That is what the strike does frequently. Besides that, it teaches people the realities of existence and usually results in a period of stable peace.

EDWIN E. WITTE¹

Strikes Sometimes Clear the Atmosphere

Edwin E. Witte (1887-) is a labor economist at the University of Wisconsin. He has been closely associated with the development of state and national legislation in the field of social security, and he has been a Public Member of the National War Labor Board.

While strikes and labor disputes are usually regarded as synonymous terms, the latter is the more inclusive. Labor disputes are disagreements between employers and employees over the terms of the employment contract, which may result in strikes but more commonly do not. Most labor disputes are amicably adjusted, but many of them, unfortunately, leave unsatisfied grievances, which are none the less serious because they do not lead to strikes.

Smoldering discontent may exist for a long time without coming to a head. Such discontent is reflected in decreased efficiency and an increased cost of production. Even strikes may be preferable, clearing a surcharged atmosphere and affording a basis for a fresh start. Many an industry which has had no strikes for years nevertheless has anything but satisfactory industrial relations.

Labor disputes are not necessarily an evil. Human progress has ever been marked by conflict. It is not to be expected that employers and employees will ever be in entire agreement as to the share of each in the common product. But although conflict is natural and not wholly

¹ By permission from *The Government in Labor Disputes*, by Edwin E. Witte, copyrighted 1932 by McGraw-Hill Book Co., Inc., pp. 3 ff.

bad, it exacts its toll even when suppressed dissatisfaction takes the place of open revolt.

SAMUEL P. HAYES, JR.¹

Psychology of Conciliation

The most widely employed techniques for the co-operative solution of labor problems are conciliation, arbitration, and predetermination (for instance, a legal minimum wage). . . . [It] is desirable to point out three general principles that are important for them all.

In the first place, while these are essentially co-operative techniques in that there is agreement and co-operation concerning some of their behavior, the interests of both parties are explicitly acknowledged to be opposed, and, if the result of their co-operative effort does not closely resemble the result that they would expect to achieve through competitive action, co-operation will go by the board and competition will prevail. Just as most legal decisions are compromises based upon the relative strength of the disputants and elaborately supported by selected precedents and reasoning, purporting to show the consistency and applicability of legal "principles," so also conciliation and arbitration result in compromises that fairly closely represent the believed relative bargaining strength of the parties concerned and the relative importance to them of the point at issue. Where this is not true (as, for instance, where one side believes

itself stronger than it really is), conciliation and arbitration break down and there is resort to direct action.

In the second place, the outcome of any conflict is important not only for itself but also because of its effect on the subsequent relative strength of the participants. The obvious illustration of this in the importance attached to legal precedents is only less obvious than its illustration in the "rights" arising out of armed conflicts between nations. Every settlement changes the strength of both sides by its terms, and every settlement sets a precedent which will itself strengthen one of the sides for any subsequent dispute.

Furthermore, it is obviously just as wasteful to fight out every dispute as it is for an individual to go through an intense soul-searching before he performs each action. The saving of energy that is effected for individuals by the development of habits is effected for society by the social habits—folkways, mores, customs, laws—which appear in the sphere of industrial relations just as in any other. The inertia of habitual relationships, the irritation accompanying social changes of any sort (for what is soon becomes what is "right"), and the memory of the demonstrated real strength of the participants combine to give not only a considerable degree of permanence to decisions reached, but also a superficial appearance of harmony and stability. When a dispute does arise, therefore, the terms of its settlement may have a much more widespread and permanent effect than might be expected from an examination of the specific incidents concerned. . . .

CHANGES OF EMPLOYEE ATTITUDES RESULTING FROM PARTICIPATION

Where there are regular meetings between representatives of both sides, even when no disputes are under discussion, the knowledge of the opposing side gained

¹ Reprinted by permission of the author and the Society for the Psychological Study of Social Issues from *Industrial Conflict: A Psychological Interpretation*, edited by G. W. Hartman and A. M. Newcomb, 1939.

by talking together, the habit of friendly discussion, and the mutual attempt to be helpful and co-operative are powerful factors in preventing any disputes from arising. In the United States, standing joint councils, often limited to a single firm, have been particularly successful in certain parts of the clothing industry. The essence of all such standing joint councils is their emphasis on the prevention of disputes by frank and free discussion at frequent intervals, rather than on their settlement after they have hardened into definite disputes. The primary psychological problem, which sometimes looms so large, that of even getting the two sides together to discuss their differences, is probably most successfully solved by procedures that make use of such standing joint councils.

Sincere attempts to employ conciliation and arbitration procedures tend to result in a new feeling on the part of employees that they are "citizens" of industry, that they have rights guaranteed to them, that they "belong" in a system that really affords them some protection. From this feeling there tends to arise an attitude toward management wholly different from the ordinary attitude of employees. They may recognize the extent to which their interests are harmonious with the interests of their employers, and be stimulated to greater efficiency and productivity. . . .

Another result of these co-operative procedures is the training in truly democratic representative self-government that it affords the participants. Such training builds attitudes and habits that are generally opposed to "radical" solutions of our economic and political problems and that are a firm basis for the achievement of the real democracy for which American liberals have long worked. To the extent that industrial relations are thus bettered, the necessity of state interference in them is reduced. To the extent that workers have

satisfactory experience with representative self-government close at home in industry, they become the better prepared and the more disposed to participate in the political affairs of the state as these are now organized.

A third result of the training afforded by participation in conciliation and arbitration is the development of trained and co-operative representatives of both sides. Just as an employer with a background of bitter anti-union activities might be expected to be a relatively unsuccessful conciliator, so also would one expect an employer with years of experience in conciliation to become progressively more successful in achieving by peaceful means necessary changes in productive methods. To a considerable degree, the instances of failure of conciliation and arbitration to achieve success in America can be laid at the door of the years of open-shop campaign in American Industry. In England, where unionization has been generally accepted for generations, conciliation and arbitration councils are easily recruited from the large numbers of employers who have already had extensive experience with these procedures. In many cases, experts in conciliation who know their industries and the special attitudes, symbols of status, and feelings that comprise the "psychology" peculiar to each trade may be relied upon to do the great majority of the conciliation. For example, all disputes in the Lancashire cotton textile industry are first referred to two such experts, and all but a fraction of one per cent are satisfactorily disposed of without further committees being involved. In the United States, a similar proportion of the disputes in the stove molding industry are settled by one skilled representative of each side. In recent years, only three disputes failed to be so settled and had consequently to be brought before the full Conference of delegates. In each of

these cases, so thoroughly had conciliation trained the participants, the Conference decision was unanimous.

It is important to note that the training which results from co-operative procedures, as just described, itself makes future co-operation more likely to take place, and more probable of success. Voluntary conciliation and, to a lesser degree, voluntary arbitration tend consequently to perpetuate themselves, in much the same way that competitive procedures tend to self-perpetuation.

THE IMPORTANCE OF INFORMAL PROCEDURES

Voluntary conciliation and arbitration lay an important stress on informality and on the absence of legalistic emphasis on precedent, hair-splitting argument, and discussion of eternal "rights" and "principles." Lawyers are often explicitly prohibited by the agreements from taking any part in the proceedings!

"... technicalities and lawyers should not be admitted before the Board. Such a policy—apart altogether from the saving in cost and time—tends to reduce to a minimum the appearance, and hence, indirectly, the reality of the opposition between the parties."¹

The failure of conciliation procedures in the general metal trades, for example, has been explained partly in terms of the discussions by representatives of both sides of general rights and principles, instead of getting down to the practical solution of specific problems, as was done in the remarkable successful conciliation in the stove molding industry.

The most successful impartial arbitration chairmen in such industries as the men's clothing industry have found that informality of discussion contributes largely to the success of collective bargain-

ing. Where both sides are encouraged to present the facts in full and to limit their discussions to the specific issues before them, arguments become pointless and agreements are quickly reached. Even where arbitration awards are necessary the inclusion of the provision that such awards are not to be considered precedents, especially after a new agreement has been entered into, help to keep alive the informality of hearings and discussions and to avoid the development of a common law for industry, with its consequent long briefs and opinions, and its legalistic atmosphere.

There is a tendency for any informal social relationship gradually to become more formal. The more formal and rigid it becomes, the less flexible is it in the face of the compromises necessitated by changing conditions. For successful industrial relations, informality and adaptability must constantly be revived and emphasized.

VOLUNTARY COMPROMISES *versus* ARBITRAL AWARDS

In addition to the informality of conciliation procedures, the fact that they result in voluntary compromises is very important in explaining their increasing use in democratic countries at the expense of arbitration procedures, either voluntary or compulsory. Any authoritative decision tends to be accepted with bad grace and easily results in bitter feelings. Even a strike may do less harm than an unpopular award with its consequent bad morale, sabotage, and dissension. Arbitrators who do not depend largely on persuasion and out-of-court settlements quickly lose their popularity with both sides. Even where, as frequently happens, they are secretly "directed" by the representatives of both sides to make a mutually acceptable award, they serve as the "goats" upon whom the wrath of the rank and file, and the public

¹ A. C. Pigou, *The Economics of Welfare*, Macmillan and Company, Ltd., London, 1932, p. 422.

wrath even of the leaders, may be wreaked. If this is true of directed (and hence presumably fairly satisfactory) awards, it will readily be understood why independently arbitrated awards are so often unsatisfactory.

Besides the unpopularity of authoritative decisions, there are certain other disadvantages of the arbitration procedures as compared with conciliation. For example, the presence of an arbitrator tends to result in the participants' bringing up all possible issues, important and unimportant, instead of just those issues that would be fought out if no compromise could otherwise be obtained. This is frequently the case where there is a permanent arbitrator, and usually ruins his usefulness after a short period of service.

B. M. SQUIRES¹

The Mediator

Since joint negotiations are not always successful, a mediator is often capable of performing a valuable service by bringing the two sides together again for further conferences. Sometimes, by acting as a confidential intermediary, he may learn what each side will concede and may thus find common ground for an agreement. Often, because of the esteem in which he is held by the disputants, he may secure concessions which neither would grant to the other in his absence. An able conciliator frequently finds a basis of agreement which has remained undiscerned by the contesting parties. Tact, insight and the ability to inspire confidence appear to be

the most valuable qualities of a good conciliator. Often his most important duty is to find a formula which will permit the contestants to accept a compromise and still retain their dignity and the confidence of their constituents. The conciliator's efforts are most likely to be successful if he is familiar with the trade or if he is a person of eminence in the community.

GEORGE W. TAYLOR²

Mediation

George W. Taylor (1901-) is now a labor economist at the University of Pennsylvania. Formerly an impartial arbitrator for the hosiery industry, in the war years he served as Chairman of the National War Labor Board.

Mediation is another procedural step which has yet to be developed to its maximum potentiality. Conciliation and the mediation processes merge in actual operation, but a clarification of the difference between them is essential in the formulation of mediating policies.

The conciliator has a primary responsibility for keeping the parties together at the conference table. As long as negotiations continue there is a chance for agreement. Often the conciliator mediates between the parties—that is, he interjects ideas of his own about how an issue might be resolved. But does this exhaust mediation's full usefulness?

Mediation involves a discernment or a sensing of the fundamental needs of each party. This is followed by the advance-

¹ From B. M. Squires, "Conciliation," *Encyclopedia of the Social Sciences*, copyright 1931 by The Macmillan Company, and used with their permission, Vol. IV, pp. 168, 169.

² Reprinted by permission of the author from George W. Taylor, "Instead of Strikes—Bargaining," *The New York Times Magazine*, July 6, 1947, p. 27.

ment of possible solutions not only to meet these needs, but at the same time to bridge the gap between the parties. Setting up mediation as a separate and distinct procedural step has merit if an emphasis is placed upon bringing a greater or more varied range of experience to the attention of the negotiators than is ordinarily advanced by a conciliator. The times seem to call for a consideration of mediation as a process which stands in its own right as a separate instrument for effecting settlements.

The so-called fact-finding board might have a part to play in settling labor disputes if it could be built up as a phase of mediation instead of being thought of as a primary process for facilitating agreement-making. Fact-finding cannot serve as a substitute for agreement. No facts

and no data concerning past operations can possibly provide the clear and unmistakable answer to a labor dispute over future relationships. Facts about what has happened in the past may be a useful starting point or an invaluable guide, but they cannot dictate a judgment as to conditions of the future.

Fact-finding should enable the parties to start reasoning on the basis of agreed-upon data and might assist them in reconciling their diverse judgments about the future. But if the board uses the "facts" to support a recommendation, it substitutes its judgment for that of the parties. Such a process has a proper place in labor relations, but it is called arbitration. It should be used only when it is voluntarily agreed to by the parties of direct interest.

ARBITRATION

WILLIAM SIMKIN
and VAN DUSEN KENNEDY ¹

Types of Grievance Arbitration Systems

Several types of machinery or procedure for impartial settlement of grievances are in common use. Differences can usually be traced to the length of time the system has been in effect, to differing collective bargaining practices, to size of the company or industry, and to problems inherent in the technology of the industry. Some apparent differences are matters of language

rather than basic differences in procedure or function.

ARBITRATOR'S TENURE

The first major distinction between types of grievance arbitration systems relates to the tenure of the third party.

a. *Temporary Arbitrator*.—Throughout this pamphlet the term *temporary* is used to designate a third party who is selected for a single case or for a specific group of cases *after* it has become clear that the grievance or grievances in question must be submitted to arbitration. The arbitrator is selected with a specific case or group of cases in mind, and there is no commitment whatever to use that same person again. Third parties selected in this manner are sometimes called *ad hoc* arbitrators. The majority of labor agreements providing for arbitration specify this type,

¹ William Simkin and Van Dusen Kennedy, *Arbitration of Grievances*, United States Department of Labor, Division of Labor Standards, Washington, D. C., 1946.

b. *Permanent Arbitrator*.—The term *permanent* arbitrator is used in connection with a third party who is selected for a longer period of time. The word *permanent* is in italics since it is obviously a relative term. A *permanent* arbitrator is seldom selected for a term longer than the duration of the contract, although he may be re-selected for succeeding contracts. Sometimes he is selected for a term shorter than the life of the contract, such as a 6-month term. . . .

TERMS USED TO DESCRIBE THIRD PARTIES

a. *Impartial Chairman*.—In some industries, such as men's and women's clothing and hosiery, which have a long history of impartial settlement of grievances, the third party who is engaged to make the decisions at the final step of the grievance procedure is called an impartial chairman. Technically, the individual who carries this title in these industries is not a chairman of any official body or organization, and he makes his decisions as an individual. But the title does describe his function, which is to preside over the collective bargaining agreement and its observance by both parties. This function frequently includes informal mediation.

An impartial chairman is named for the life of an agreement or for a specified period of time and therefore is a *permanent* arbitrator. Almost invariably he is selected by mutual agreement.

Other employers and unions which have adopted impartial settlement procedures more recently also use the title "impartial chairman" to designate the third party in the process. There has been some tendency, however, to make him an impartial chairman of a tripartite arbitration board or adjustment board. See below.

b. *Tripartite Board*.—An arbitration board, adjustment board, or appeals board is made up of at least one named repre-

sentative of each party to the contract and a third member called the impartial chairman or chairman. On such boards, the question at issue is discussed by all members of the board after the hearing. If the board does not reach a unanimous decision, either the union or management representative usually will concur with the chairman to give a majority decision. In a few instances a majority decision may be required, but most contracts providing for tripartite boards give the chairman the right and obligation to make a final decision, regardless of whether or not it is concurred in by other members of the board. . . .

c. *Umpire*.—Some employers and unions have chosen to call the impartial third party in their agreements an umpire instead of an impartial chairman. This is true in certain automobile, rubber, and shipbuilding companies. Almost invariably the umpire sits alone. Usually he is retained for the life of the agreement or for a specific period of time, although there are many instances where he is selected only for a specific case or group of cases. Therefore, the term *umpire* is in common use with both *permanent* and *temporary* systems. . . .

d. *Arbitrator*.—The more general term *arbitrator* is typically used in connection with a third party selected only for one case or for a group of cases and therefore is almost synonymous with the *temporary* arbitrator referred to heretofore. However, there are instances where a *permanent* third party is referred to in the contract as *arbitrator* rather than impartial chairman or umpire. . . .

Temporary arbitrators are also used frequently in cases where there is no contract provision for arbitration but where a conciliator secures agreement to arbitrate a specific grievance.

ANALYSIS OF SYSTEMS USED

Every person experienced in arbitration, from the point of view of union labor, employer, or arbitrator, undoubtedly has some preference for one or another system. Each has its proper place. Before setting up an arbitration system, however, it may be helpful to weigh in advance some of the advantages and disadvantages of each. Here is a summary based on the authors' experience.

SINGLE PERMANENT ARBITRATOR (IMPARTIAL CHAIRMAN OR UMPIRE)

This type of arbitrator is selected for a specific period of time.

Advantages: *a.* The arbitrator gradually becomes familiar with, and eventually expert in, the contract clauses, wage payment plans, industrial techniques, and processes of the industry.

b. Decisions will be consistent one with another. Because of this, precedents will be established, the parties will know what to expect from the arbitrator, and similar cases in the future will be resolved by agreement at an early stage of the grievance procedure. It is pointless to "whip a dead horse" by pushing a second time the same type of grievance which has been lost once.

c. No time is lost in choosing an arbitrator after the initial selection. Less time is usually consumed in making arrangements for hearings. The grievance procedure is shortened to the advantage of both parties, particularly in discharge or seniority cases where an employee's job status is in doubt and back pay may be involved.

d. The *permanent* arbitrator becomes acquainted with the personalities on both sides of the table.

e. As a result of (*a*) and (*d*) above, time required for the presentation of evidence at hearings is shortened substantially. The parties do not have to educate

the arbitrator each time, and there is less tendency for one or both parties to stray from the subject at hand or belabor a point. To illustrate, one of the writers of this pamphlet averages approximately 8 grievance cases per day of hearings where he is the *permanent* umpire or impartial chairman, in contrast to an average of approximately two cases per day when he is retained on a temporary basis and is not familiar with the parties or the industry.

f. The *permanent* arbitrator requires less time for investigation and preparation or opinions due to familiarity with the industry and with the parties.

g. The *permanent* arbitrator seldom requires a verbatim transcript.

h. As a result of (*e*), (*f*), and (*g*) above, the direct cost of each arbitration (fees and expenses of the arbitrator and expense of a transcript, if taken) and the indirect costs (time spent by the representatives of the parties and the union or company cost for time of witnesses, etc.) are substantially less than for a series of *temporary* arbitrators.

i. There is less tendency for either party to throw in a few admittedly weak cases with the thought that a green arbitrator will split the difference and by this means give favorable decisions on the more important cases, or even give favorable decisions on some of the weak cases.

j. The arbitrator must live with the parties and with his own decisions. He cannot blithely toss off a decision, knowing that he may never see the parties again. A really bad decision may come back to haunt him. If any emphasis on responsibility is needed, tenure provides it.

k. When a *permanent* arbitrator can secure the full confidence of both parties, they may sometimes request him to step out of his semi-judicial role and assist them in the mediation of potential disputes.

Disadvantages: *a.* Because of tenure, it becomes more important to select an indi-

vidual in whom both parties will have confidence. The parties may become saddled with a "lemon" with no convenient way of removing him.

b. While total arbitration costs should be less, when a *permanent* impartial chairman or umpire is selected, the parties usually obligate themselves to at least a minimum predetermined cost for his services.

c. There is a danger that the ready availability of a *permanent* arbitrator may result in failure to exhaust all possibilities of settlement at earlier stages of the grievance procedure.

d. The fact that the parties usually must pay a *permanent* arbitrator a minimum fee may tempt them not to exhaust all other means of settlement but instead to make the arbitrator earn his money by deciding at least a few cases.

e. It is sometimes difficult to find any one individual who is experienced in all types of potential grievances. For example, one individual may be particularly qualified to handle seniority cases but may be inexperienced in incentive pay cases.

PERMANENT TRIPARTITE BOARD

Most of the pros and cons of a *permanent* umpire or impartial chairman apply with equal force to an arbitration board, adjustment board, or appeals board whose impartial chairman is retained for a specified period of time. In addition there are the following advantages and disadvantages.

Advantages: a. The tripartite board gives the parties a better opportunity to keep the third member fully informed of their real positions (sometimes a modification of their official positions) and to be in on the actual making of the decision. Representatives of the parties can also give valuable assistance on technical phases of the case and special industry practices.

b. Unanimous decisions and even majority decisions of a tripartite board have

more weight than a decision of the third party alone. At least one party is then semi-officially committed to support each decision, even if it is a modification of that party's original position.

Disadvantages: a. The cost is inevitably greater. The parties must pay their own representatives, and in addition more time is usually spent in hearings and deliberations.

b. It is sometimes a disadvantage that the third member either is required by the agreement or feels it is advisable to secure a majority vote. Conceivably, he may be forced to compromise his own best judgment in a case in order to secure that vote.

TEMPORARY ARBITRATOR OR UMPIRE

Some of the advantages and disadvantages of this type of arbitration are obvious from the preceding discussion. Here are some additional considerations:

Advantages: a. This system permits easy change of the third party if the arbitrator proves to be incompetent.

b. It facilitates selection of an arbitrator especially qualified for the grievance dispute in question. For example, the parties can judge the experience and qualifications of prospective arbitrators in handling disputes over incentive pay.

c. It is well adapted to situations where arbitration is an entirely new idea to both parties and they wish to experiment, or where experience has shown that practically all disputes can be resolved by the parties.

d. A *temporary* system does not eliminate the possibility of continuous reselection of the same individual thus securing many of the benefits of a *permanent* system without some of its liabilities.

Disadvantages: a. The time and effort required to select an arbitrator for each case or group of cases delays conclusion of the grievance or grievances, sometimes to the detriment of plant morale.

b. Frequently, out of desperation, a person is selected who has little or no experience or real qualification for the case. Such a selection may be made because he is the only person available who has not issued a decision somewhere, sometime, which the union or the company does not like. Good arbitrators are few and far between who have not incurred somebody's wrath at some time in their career or who have not issued decisions elsewhere on similar issues which may influence one party to "blackball" them for a specific case in spite of excellent qualifications in every other respect.

c. When *temporary* arbitrators are used, there is little precedent established. Either party may want to take a chance on the same type of case again.

d. There is no necessary consistency in the decisions. If a contract interpretation has any precedent value, it persists only until the next time it is tested before a different arbitrator. Resultant conflicting decisions from two or more arbitrators may create more disputes than have been resolved.

e. There is a tendency for the party losing the majority of cases before a *temporary* arbitrator to seek a change of luck and to insist on a different arbitrator for the next cases, regardless of the fairness of the decisions.

f. Each new arbitrator must be educated in local conditions, requiring much hearing time and time for investigation and writing of decisions, thus adding to the cost.

g. There is some tendency for *temporary* arbitrators to be unduly legalistic in their approach.

The writers frankly recommend the *permanent* system in contrast to the *temporary* for almost all situations, believing that the advantages far outweigh the disadvantages. Moreover, some of the disad-

vantages of the *permanent* systems are not as real as might appear.

While it is possible for the parties to be saddled with a "lemon" it is also true that no self-respecting arbitrator will insist on staying in a situation when either party loses confidence in him. Mutual confidence in the impartial chairman or umpire is the keystone of the system. Without it the value of arbitration is reduced almost to zero. However, it is important to distinguish between confidence in the arbitrator and reaction to any particular decision. A union or a company can be greatly upset by a decision without losing confidence in the arbitrator. The arbitrator who deliberately tries to make everybody happy with each decision will be a compromiser who seldom really settles anything and who will lose the confidence of either or both parties. In a *permanent* system the parties view the arbitrator in the light of a series of cases and can appraise his work on an over-all basis.

If an arbitrator has only temporary status, there is little opportunity for appraisal in perspective, and the frequent reaction is to strike him from the list as soon as an adverse decision is received.

The third listed disadvantage of a *permanent* arbitrator is the danger that collective bargaining will not be exhausted. That may be true in some situations and always is a danger. However, the exactly opposite result has occurred. One of the writers is *permanent* arbitrator under a contract where 114 decisions were issued during the first year. This was obviously too many, even though it was a large company. However, during the second year only some 25 grievances were taken to arbitration. In another situation as *permanent* impartial chairman a total of only 11 decisions were issued in 1945 in an industry area arbitration system covering several hundred separate companies organized in a manufacturers' association.

In these and other situations known to the writers the existence of a *permanent* arbitration system has actually encouraged and stimulated collective bargaining. To put it in other words, under a good *permanent* arbitration system the arbitrator will gradually work himself out of a job in terms of case load.

GEORGE SOULE¹

Function of Arbitration

George Soule (1887-) is Director of the Labor Bureau, New York City, and formerly an editor of the New Republic.

Another and more basic distinction between wage arbitrations and legal trials is that the wage arbitration is usually not primarily an attempt to apply justice in behalf of society as a whole. Some philosophers would deny that there is any such thing as absolute justice anyway. Yet courts usually assume that they are applying either principles decreed by organized society through its legislature, or principles inherent in the nature of social organization. Politically organized society, however, does not know, and if it is wise does not, at least under the type of economic organization such as exists in the United States, attempt to specify, any exact principles of justice for the fixing of wages. (This statement may be subject to limited exceptions—such as the passage of minimum wage laws.) In general, the fixing of wages, so far as it is collectively handled at all, is wisely left to bargaining between organized employees and employers, just as the fixing of prices is left to the devices

of the market. To fix through legal process any upper limits for wages without at the same time limiting the prices the wage earners must pay, and the profits that may be earned by their employers, and without governing the whole economic structure for the general good, would be grossly unjust to the wage earners.

Wage arbitration is therefore primarily an instrument of collective bargaining. It is resorted to by both sides of the bargaining process as a way of settling disputes which they find difficult to settle by direct negotiation. They could, if they liked, fight out the issue by a strike or lockout, and settle it by a test of strength. But such a process would be so costly and injurious to both that they prefer the peaceful uncertainty of an arbitral settlement. The arbitrator is thus not a superior sort of dictator, dispensing justice from on high, but an agent of the two sides to the collective bargain. His job is to reach a solution that will be satisfactory enough to both sides to be workable. He has to take into consideration their relative strength and their relative necessities. He has to remember not to depart so far from a possible compromise, consistent with the respective power and desires of the parties, that one or the other of them will be likely next time to prefer open hostility to peaceful settlement. He has also to remember that a decision is useless if it cannot be enforced, and that the power and ability of the respective parties to administer a decision successfully is an integral part of the decision itself. A decision which cannot be carried into effect or which will create lasting dissatisfaction is not really a decision at all. On this account a wage arbitration is not an exercise in pure reason, and a summary of merely logical arguments, accompanied by the opinion accompanying the decision, does not tell

¹George Soule, *Wage Arbitration*, Workers Education Bureau of America, 1928, pp. 5-7. Reprinted with permission of publisher.

the whole story. Arbitrators frequently do not, of course, fully understand these limitations, but the more successful ones do so.

HARRY SHULMAN¹

The Role of the Impartial Umpire

Harry Shulman (1903-) is a Russian-born Professor of Law at the Yale Law School. He has served as impartial arbitrator for the Ford Motor Company and the United Auto Workers, and Public Panel Member for the National War Labor Board.

Generally speaking, the impartial chairman or umpire is a person selected by management and the union or appointed for them for the purpose of resolving their disputes as to the meaning and application of their collective agreement after the parties have exhausted all reasonable means of settling the disputes through negotiation and mutual understanding. He differs from a general arbitrator only in that his jurisdiction is usually limited to the interpretation of the parties' agreements, whereas arbitrators are frequently appointed to resolve not only disputes as to the meaning of agreements but also conflicting claims in the negotiation of agreements for the future. . . .

It is usually provided that the umpire's determination shall be final, binding on both sides, and not subject to review by any body or agency (generally including courts). That is a serious commitment. Upon the umpire it casts a responsibility

which makes his task worrisome, oppressive and wholly unenviable. Unlike a judge in a court of law, he cannot refer to any authoritative body of precedent or generally accepted jurisprudence. He has no disinterested colleagues with whom he can take counsel. And he is without the consolation that possible errors in his determinations may be corrected upon reexamination. For the parties, this commitment is an unusual manifestation of confidence. In a society accustomed to a multiplicity of appeals in the judicial system and among governmental agencies, an agreement to accept an umpire's decision as final is noteworthy. In part, it is possible only because of the umpire's limited jurisdiction.

UMPIRE'S JURISDICTION

The scope of his jurisdiction is, of course, whatever the parties agree that it should be. Rarely is it completely unlimited. Frequently his jurisdiction is defined in general terms to extend to "grievances arising under the" collective agreement, or disputes "as to the interpretation or application" of the agreement. Sometimes, when the procedure is to make a special submission of each case, the parties may expressly agree upon the exact nature of the dispute and state the precise question to be decided by the umpire, with specific limitations as to the kind of answer he is empowered to give. And sometimes the parties' agreement may list in detail those portions of their contract which are and those which are not subject to the umpire's jurisdiction—fixing also, perhaps, time limitations for presentation of appeals, limitations on the power to award back pay or to make other retroactive adjustments, etc. . . .

A JOINT ENTERPRISE

What, then, is the umpire's role in collective bargaining relations? The collec-

¹ Harry Shulman, *The Role of the Impartial Umpire*, American Management Association, Personnel Series No. 82, New York, 1944, pp. 6, 7, 8-10.

tive agreement, like the marriage vow, represents only the beginning of the parties' life as joint enterprisers. The agreement specifies the parties' intentions and their common purpose with respect to a variety of problems which they foresee and upon whose solution they agree. But when the agreement is signed, the parties have just married and must still go through life together. While a good collective agreement is perhaps more promising of a happy future than a good marriage contract, in either case the agreement merely launches the mutual enterprise. The success of the enterprise depends upon satisfactory adjustment of the conflicts and frictions in the day-to-day life of the parties. Their collective bargaining and their negotiations begin with the agreement and continue constantly thereafter. No umpire can be a substitute for day-to-day collective bargaining. He would be physically incapable of doing the job, even if it were desirable that he do it— such is not the case.

But it is desirable that some agency be provided to resolve those disputes under the agreement which collective bargaining fails to resolve. No agreement has yet been formulated which has not been subject to honest difference of opinion as to its meaning with respect to particular situations. When the conflicting opinions are honestly and firmly held (sometimes, perhaps, they are held more firmly than honestly), neither side can be blamed for refusing to throw its own overboard and accepting the other's. To accept the other's opinion as decisive, under such circumstances, would be to recognize the other as the superior power rather than as an equal contracting party—unless, of course, collective bargaining results in a mutually satisfactory adjustment. And while a party may have to accept an adverse determi-

nation by an umpire, the acceptance is readier, more wholehearted and healthier when it does not carry with it any implication of weak surrender to the superior power of a presumably equal co-contractor. The stated function of the umpire is then to resolve those disputes under a contract which the parties, after exhaustive effort cannot themselves resolve to their mutual satisfaction.

But perhaps his greatest significance lies in his mere availability. Though he may never handle a single dispute, his mere existence is of great utility. Indeed, in this factor may lie his greatest usefulness. His existence facilitates collective bargaining. It provides some incentive, at least, not to take wholly untenable positions. It tends to prevent disputes from continuing endlessly, because the parties know that they must dispose of them or submit them to the umpire. It gives the workers confidence in the effectiveness of their grievance procedure. And it may even tend to bring about mutual adjustment because of fear that the umpire's decision may be worse on the whole than what is offered.

QUALIFICATIONS OF AN IMPARTIAL UMPIRE

What the umpire may do (apart from merely being on hand and from deciding disputes referred to him) depends upon his personal character and upon the parties with whom he deals. It is best, of course, that he be completely impartial, forceful and independent. By impartial I do not mean that he be a person without ideas or predilections as to life in our industrial society. Such a man would probably be less than a moron. I mean, rather, that he be capable of, and have the habit of, divorcing his predilections from his judgments. He must recognize his function as that of interpreter rather than law-maker. His strength and independence vary with

his self-reliance and may perhaps be enhanced by some economic security apart from his job as umpire.

It is equally (and perhaps even more) important that both parties have confidence in his integrity and intelligence. Without such confidence, his utility is weakened. But given the happy combination of a strong, intelligent umpire and the parties who regard him as such and wish to make the best use of him, the umpire can be useful in a number of ways.

HIS EDUCATIONAL FUNCTION

His written opinions may perform an educational function. . . . I have said elsewhere that a collective agreement not only is a contract but is also in the nature of a political platform and a code of ethics. It is a mixture of precise rules, general standards, seemingly inconsistent or conflicting provisions, vague ellipses for assumptions or aspirations only sketchily agreed upon. The umpire's opinions may serve to rationalize and synthesize the agreement so as to make the whole of it workable and to make the parties more conscious of their commitments as well as of their rights. To serve this function best, the umpire must have time to think and write. If he is so swamped with cases or other business as to have little time for anything but quick, offhand answers, he will not be able to perform this service. His educational function is not limited to written opinions. He can promote understanding and good will in a number of other ways—e.g., by talking at local union meetings or conferences of stewards or of managements' labor relations representatives as well as by his contacts with individuals at hearings and elsewhere.

The umpire can also serve as a sort of wailing wall for the parties' representa-

tives—in an entirely individual and confidential manner. Even if he does nothing but lend a sympathetic ear, he can thus perform valuable psychological service to individuals on either side who, like us all, occasionally feel the need of pouring out their woes to a disinterested, trustworthy friend.

While the umpire's jurisdiction is generally limited to the interpretations of agreements already made, a standing umpire can become also a standing conciliator or intermediary to aid the parties in the negotiation of supplemental agreements or in the adjustment of matters not covered by agreement. If he enjoys the confidence of both sides, both may find it profitable to call on him for such aid. In a large enterprise the main agreement is rarely complete. Unforeseen contingencies occur, and supplemental agreements are constantly being negotiated. Disagreement is frequently the result of misunderstanding, suspicion, lack of concentration or knowledge of the facts, or sheer weariness and impatience. When disagreement is due to such causes, at least, the umpire, as mutual friend, can generally bring about proper understanding. And at times he may serve as special arbitrator for disputes not covered by agreement.

STANDING UMPIRE ADVISABLE

In the performance of any of his functions, the arbitrator needs, of course, his wisest judgment. And, while knowledge is not a guarantee of wisdom, it is surely an aid to wisdom and probably a prerequisite. Therefore the more familiar an umpire is with the industry he is serving, the more likely are his judgment and awards to be wise. This, of course, indicates need of a standing umpire, rather than a different one selected for each case. But it also calls for a certain approach by the parties.

The parties must not approach an umpire proceeding as they would a court proceeding, for the two are very different in important particulars. Litigants in court meet for the trial and then have little, if anything, to do with each other again. The court makes an adjudication as to some past event, which may cost one side or the other money but does not generally bind them to future relations. If the losing litigant is displeased with the judgment, this is to be expected. So when a lawyer takes a case to court, he tries to win. Subject to the legal code of ethics, he does not care how he wins—whether because the judge really understood the issue or missed the point entirely, whether his judgment was the result of rational deliberation or of some fortuitous and irrelevant circumstance (such as his biliousness, his lodge association, his antipathy toward the behavior of some witness, or his attraction by the face or leg of a female witness). The lawyer in court does not necessarily present all the facts. He puts the shiny good apples on the top and resists efforts to disclose the rotten ones beneath.

THE DESIRABLE ATTITUDE

The attitude in an umpire proceeding should be wholly different. The parties must live with each other and with the umpire's award after it is made. If the award is wrong, the worst sufferer may be the party which is the immediate winner. An unsound award will harass the parties endlessly in their future relations. If the award is right, the immediate loser pay profit most in the end. The umpire should be permitted by both sides to know all that they know about the case, so that he can render a wise decision which will improve the future lives of both. And he should be permitted to know as much as both parties know about the case so that

also (a) both parties can be assured he has rendered an informed rather than an ignorant judgment, and (b) the proceeding does not become a battle of skill between the advocates with each side trying to "put something over" on the other side or on the umpire. The latter may be fun but, I should suppose, would be rather fatal to the umpire institution and injurious to good labor relations if widely engaged in.

I said earlier that the institution of impartial umpire is a helpful supplement to collective bargaining. There are, of course, dangers the other way. There is the danger that the parties will be tempted to take the lazy and easy course of referring everything to the umpire and settling nothing by negotiations. That would be disastrous; it would impose an intolerable burden on the umpire and destroy the first requisite of good labor relations, namely, vigorous collective bargaining in good faith and with honest intent to reach agreement. No matter how sound and wise the umpire's judgments be, mutual agreement is still, on the whole, generally preferable. The tendency to take the easy way must therefore be guarded against. There is the danger also (to which I have already adverted) that the parties may not adequately enlighten the umpire, either purposely or because of lack of appreciation of his problem. This may be partly guarded against by a provision authorizing the umpire to make further investigations. And there is the danger that an occasional unfortunate experience with an umpire or a single unsatisfactory decision may sour a party on the whole idea. That danger will be lessened with further experience. And all dangers can be avoided if sincerity and good sense guide both the parties and the umpire.

WAYNE L. MORSE¹

The Judicial Theory of Arbitration

Wayne L. Morse (1900-) is United States Senator from Oregon; he was for several years a Public Member of the National War Labor Board.

The principal job of the mediator and conciliator, when there is a strike or lock-out or threat thereof, is to make concrete and reasonable suggestions and proposals to the employer and to the union, which will result in a sensible compromise of their differences. That does not mean that when one party or the other is clearly wrong the party in the right must necessarily give up a portion of his rights whenever he agrees to participate in mediation or conciliation. I know of many instances in which mediators and conciliators have enjoyed the respect of the parties to such an extent that they have been able to convince one side that it is entirely at fault in the dispute, and that therefore it should agree to drop its claims.

However, experience shows that in most labor disputes of any consequence, neither side is lily white when its claims are considered from the standpoint of the abstract test of right and wrong. If the parties in a dispute can be persuaded to sit down and, in the presence of a conciliator or mediator, discuss their differences, there is a strong chance that reason and calm reflection will prevail against emotional thinking and bad feelings. In such an atmosphere a mediator has an opportunity

to use his good offices to effect a reasonable compromise. . . .

However, the work of the arbitrator and the process of arbitration are entirely different from the work of the mediator and the process of mediation and conciliation. There is one point that I wish to emphasize above all others and that is that arbitration is a judicial process. The arbitrator sits as a private judge, called upon to determine the legal rights and economic interests of the parties, as those rights and interests are proved by the record made by the parties themselves. It is my view of arbitration that an arbitrator is bound entirely by the record presented to him in the form of evidence and argument at the arbitration hearing. His job is the same as that performed by a state or federal judge, called upon to decide a case between party litigants.

The principle of compromise has absolutely no place in an arbitration hearing. The moment an arbitrator compromises one of the issues involved in a case, that moment he disqualifies himself as an arbitrator. Therefore, I adhere strictly to the rule in all the cases tried before me, that an arbitrator should not take judicial notice of anything which is not presented by the parties in the record of the case. Hence it is of the utmost importance that the parties to an arbitration case prepare their evidence very thoroughly. It should be remembered that argument, no matter how persuasive, unsupported by evidence and facts, is of little value to an arbitrator when he is called upon to decide a typical labor dispute, which arises under such a contract as the one between this union and the Waterfront Employers Association. . . .

My chief criticism of labor arbitration as it functions in many cases is that too few arbitrators have grasped the full significance of arbitration as a judicial process. Too many arbitrators still take judicial

¹ Wayne L. Morse, "The Scope and Limitations of the Arbitration Process in Labor Disputes," *Proceedings*, International Longshoremen's and Warehousemen's Union, Third Annual Convention, April 6, 1940.

notice of interests and facts not established in the record of the hearing. Too many arbitrators still try to apply the principle of compromise in their decisions. I think I understand their good intentions and motives, and their desire to please both sides, at least a little bit. But when they yield to the principle of compromise they wrong not only both parties to the dispute, but they impair the effectiveness of arbitration as a judicial method of settling labor disputes. . . .

I am satisfied that if we followed a less technical and formal system of procedure in our cases, it would be impossible to confine the arbitrator's decision to the record made by the parties. As I have indicated before, I am convinced that there is but one way to try a case on its merits, and that is to try it on the basis of the record made before the arbitrator. That record must be an orderly record. The parties must be guaranteed that only relevant and material evidence will go into the record. They must be protected in their right to cross-examine those who submit evidence against them. They must be given an opportunity to present their cases in an orderly fashion, and an opportunity to answer their opponent's case in an orderly fashion. Such guarantees involve both substantive and procedural rights. In fact, I know of no way of protecting the parties in respect to such rights, except in accordance with the generally accepted rules of court procedure, which we apply in all of the arbitration cases under the long-shore contract. An arbitrator is bound by the language of a contract, and he has no right to reform or amend it. . . . The arbitrator should always be bound by the legal meaning of the contract, and by the rules of contract law. The legal rules of construction must be applied by him as aids in determining what the contract means.

SAMUEL GOMPERS¹

Compulsion

Compulsory arbitration has been suggested at one time or another since the middle 'eighties when strikes were in progress or impending and before committees of Congress. After I have opposed bills for compulsory arbitration and compulsory enforcement of the terms of arbitration, I have frequently been asked what I proposed as a substitute. My invariable answer was: "Strikes are due to resentment against deterioration in the workers' conditions or an aspiration for a better life. There is nothing you can do by law to prevent these normal movements and actions of the working people." . . .

I have been unreservedly opposed to any type of compulsory arbitration. In truth, I have never looked hopefully upon arbitration as a method for achieving satisfactory industrial results. Satisfactory industrial agreements must, it seems to me, be evolved out of a mutual experience and understanding between the parties most concerned. Arbitration injects influences not immediately concerned in production. But disinterestedness should not be fused with equity. Absence of industrial dislocations does not necessarily mean industrial peace. Nor does industrial peace necessarily indicate industrial progress. The suggestion is deceptive because it seems an easy way to accomplish a difficult task. . . .

I saw in the proposal to establish arbitration carrying any degree of compulsion a blow at the fundamentals of voluntary institutions which to my thinking are the heart of freedom. I felt we had to keep

¹ Taken from *Seventy Years of Life and Labor*, by Samuel Gompers, published and copyright by E. P. Dutton & Co., Inc., New York, 1925, Vol. II, pp. 131, 133, 137, 139-40, 149-50.

open opportunities for freedom and initiative. All worth-while achievement is based upon progress of individuals. My idea of voluntary institutions has been my most dependable measuring stick in many perplexing problems which the years have brought. . . .

It was some time after the Erdman Act discussion that Hugh Lusk came to this country from New Zealand, scattering enthusiastic accounts of compulsory arbitration in his home country. He spoke to many public audiences. I was in Chicago at the time of a meeting which Mr. Lusk addressed. After he had finished his address I said, "I want to ask you a question, Mr. Lusk: Does your New Zealand Compulsory Arbitration Law provide that employers against whom an award is made and who fail, or declare that they cannot meet the award and continue to conduct their business—is that not really confiscation of property?" He said, "No." I then asked him, "Does the New Zealand Compulsory Arbitration Law provide that in the event of an award being made against the workers they must work against their will?" He hesitated and evaded the question, but I finally got him to admit it. I asked him whether that did not involve compulsory labor and that if the men still persisted in refusing to accept the award and work, that they could be arrested and imprisoned. He answered in the negative. I asked him then whether they would not be fined and he answered that they would be fined. I asked him then if they could not pay the fine or refused to pay it, whether they would be put in jail. He then admitted that that would follow. As a matter of fact, up to the time Mr. Lusk came to the United States, the decisions of the courts and boards were against the employers and in favor of the workers and, therefore, no worker had been fined

or imprisoned at that time; but later when the decisions of the Boards and Courts of New Zealand were against the workers men were not only fined and imprisoned but brutally treated.

Discussion of compulsory arbitration paralleled the development of the idea that the public has an interest in industrial disputes. Compulsory arbitration enforced by the government sounded well to the intellectual groups to which Lusk talked. One of his hearers, Henry D. Lloyd, went over to New Zealand and got the materials for his book, *A Land without Strikes*. Compulsory arbitration was launched as the panacea for industrial ills. It fell to my lot to tell the other side of the story. New Zealand was far away and it wasn't easy to get the facts about the effectiveness of the law at first. But there were at hand incidents enough in our own labor movement to make plain to wage-earners and employers why the proposal was fundamentally unsound. It was a matter of no small gratification to me that when Hugh Lusk returned to this country after a number of years he publicly declared that he had been mistaken as to the efficacy of the compulsory arbitration law and that he could not recommend it to the American people. . . .

The causes of strikes can largely be eliminated by the organization of working people into bona fide trade unions and by the organization of the employers, followed by provisions for chosen representatives to sit around the table and there discuss and determine the problems of industry, transportation, of standards of life and work and service. It is something not yet understood, that industrial agreements reached by negotiations between the organized workers and organized employers are a real product of industry, developed through experiences and experi-

mentation, unrestricted and competent to adjust themselves to the growth of the industry out of which they have developed.

DONALD R. RICHBERG¹

Compulsory Arbitration

Donald R. Richberg (1881-) is now in private practice of law. He has been counsel in many railroad cases, and co-author of the National Railway Act (1926) and the National Industrial Recovery Act (1933).

There are profound economic conflicts in the interests of employers and employees which will lead from time to time to disagreements which can hardly be decided except by some form of coercion.

In the same way, there are other social conflicts which would lead to violence and a brutal decision if the modern state did not make the preservation of an orderly society more important than the liberty of an individual to fight out his quarrels regardless of the injury done to others. But this is the law of the modern state; and so—even a mother and father who have separated, with each wanting the custody of a child, must submit this controversy to the final and binding decision of public authority.

Can it be suggested that any issue of wages or working conditions is as important to a worker as would be the custody of his child? Can it be argued that although men and women are not permit-

ted to use force to retain a child, or a wife or a husband, they should be permitted to wage civil warfare to decide whether a wage should be increased five cents or seven cents an hour—or whether a worker should be paid for taking a bath, before or after going to work?

The proposition that economic justice cannot be obtained except by leaving men free to coerce and intimidate one another is absurd on its mere statement. If force must be the final arbiter of any dispute, then the underlying principle of a civilized society compels us to establish a public force controlled by a public law as the arbiter and to prohibit the use of private force and the application of any private law to dictate the decision.

Thus, by a logic that cannot be evaded, we come to our last resort for the settlement of an industrial dispute that cannot be left unsettled and that in its consequences deeply concerns the public interest. Such a dispute would be one which threatened to stop the production or distribution of an indispensable product. Our new labor law must provide for the creation of an impartial tribunal for the decision of such an unsettled controversy. That decision must be written by law into the coöperative agreement of the parties so that they may continue to work together for mutual benefit and may continue their service to the society which is protecting their freedom and security.

Let it be emphasized again, however, that this use of compulsory arbitration must be made the exception and not the rule in the settlement of labor disputes. There must be no encouragement of management or labor to shirk responsibility and to blame their failures on public arbitrators, as lawyers often do when they lose cases which they should have settled without litigation.

¹ Donald R. Richberg, *Industrial Disputes and the Public Interest—I*, Institute of Industrial Relations, University of California, 1947, pp. 59, 60.

LEWIS B. SCHWELLENBACH¹

Compulsory Arbitration

Lewis B. Schwellenbach (1894-) is Secretary of Labor in the Cabinet of President Truman. He was Senator from the State of Washington, and United States District Judge.

Compulsory arbitration simply means that the Government ~~writes a contract for the parties~~. Proponents of such legislation seem to believe that Government intervention would apply primarily to wages, perhaps even to hours, but not much else because they hold that these are the most frequent matters in dispute. But many labor agreements contain numerous detailed provisions concerning working conditions, safety measures, benefits and grievance procedures. Disputes can and do arise over these matters. The arbitrator, if the dispute is to be settled, must arrive at a just and equitable settlement. ~~Those who are most strongly opposed to Government control and planning have not been slow to point out the impossibility of Government effectively regulating the infinite details of economic activity.~~

~~The principle of compulsory arbitration does violence to our whole Anglo-Saxon concept of law.~~ Many people say that it is customary under our system when two people have a dispute to take that dispute into court and let the court decide which side is right and which is wrong. ~~So far as contractual relations between parties is concerned, it has never been within the purview of the court's power to write contracts for people.~~ Once contracts have been written and agreed upon, the courts will

interpret and enforce them, but no court has attempted to write contracts. That is what those who advocate compulsory arbitration would have the board of arbitration or a court do for the parties.

Where they are confused in their thinking is the realization that under our Anglo-Saxon concept of law our courts do not write contracts. When I sat on the bench there might be cases when the equity side of the court was brought into use, where rights had been created through usages and practices. But outside of those situations no court ever tries to write a contract. And this argument that is presented so frequently . . . is completely and absolutely contrary to our system of judicial process. Let me give you an example.

We have a young couple going together. They are congenial. They are very healthy. They enjoy the same things. They would make an ideal married couple. The young man decides that he wants to marry the young lady and she says, No. He cannot take her into court and, just because they have all of these different attractivenesses for each other, have some court say, "You have got to marry this man." That is her right to decide.

The same thing is true of the writing of any sort of a contract. The great majority of the cases which would come before the courts or come before any board of compulsory arbitration would be cases which would involve the Government itself writing a contract between the parties.

There are some certain disputes which the courts could decide. They are disputes involving the interpretation of a contract or disputes involving the enforcement of a contract after it was entered into. But there is only one trouble when our courts or any board of arbitration attempts to decide questions of that kind. ~~After the system has been working for about six months either the court or the arbitration~~

¹ The Honorable Lewis B. Schwellenbach, Secretary of Labor, *Industrial Disputes and the Public Interest—II*, Institute of Industrial Relations, University of California, 1947, pp. 71-74.

board gets so far behind that it is not possible for the court or the arbitration board successfully to handle the problem.

Ordinarily if you have a dispute with somebody that you want to take into the Federal Court, you expect that it will not come to trial for six months. I know that when I was on the bench I got so that cases were being disposed of six weeks after the cases were filed, and the lawyers all came in and objected because they said that they could not convince their clients that they were entitled to very much of a fee because I got rid of their cases so fast. But the ordinary litigant who goes into court expects that it is going to take him six months in the trial court, another six or eight months in the Circuit Court of Appeals, and another year or two to take it to the Supreme Court of the United States.

Labor disputes are too "hot." They involve too much of the human relations to be subjected to that sort of delay. And every board that we have ever set up, starting back with the Interstate Commerce Commission in the 1890's, has resulted in such and similar delays.

What happened during the war? We had a lot of strikes during the war. I think that the War Labor Board did one of the finest pieces of work that any board has ever done in the history of the United States. I have great respect for its membership and the integrity and the ability and the skill which they used. But they got so that they were at least four and a half months to nine months behind on cases. What did the unions decide to do? They had Case No. 4983 on the Board's calendar; they knew that if they went out on strike they would get it to be No. 1 on the Board's calendar. So they simply went out on strike and that would happen with any board or any court that you try to set up.

It must also be realized that if an arbitrator writes a contract which, by increase in wages or by any other device, increases the cost to the employer, it will then be necessary for the arbitrator or for some governmental agency to determine what price the employer may charge for the products which he manufactures and sells. Just as sure as night follows day the second step must follow the first. You cannot have control over industrial relations in the form of compulsory arbitration without going on to the next step of price control, then on through the various steps until we have a complete control of our economy. And I do not think any of the people who advocate compulsory arbitration would want that complete control of our economy.

The Government cannot control the industrial relations side of the problem without controlling all of the other steps and the manufacture, distribution, and sale of the goods produced. Therefore, those who unwittingly believe that there is a simple answer through the medium of compulsory arbitration have not looked further down the road which must be followed if such compulsory arbitration is to be effective. I don't think the American people want such a planned economy as the compulsory arbitration proposal would require.

Both management and labor oppose such an extension of control for they know that if a free-enterprise economy is to be preserved, the terms of labor-management agreements should not be dictated by Government. This relationship touches the most vital activity of an overwhelming majority of our adult population. Freedom to contract in the sense that parties are free to refrain from entering into contracts, even where public policy requires the setting of some of the terms, is basic to the preservation of a free society.

Section IV

TERMS OF THE AGREEMENT

16. Nature of the Trade Agreement

ONCE organized and accepted by the employer as the spokesman for its members or for all the workers in the bargaining unit, the union faces the test upon which its continuing success or failure depends. It must negotiate an agreement which will make possible the accomplishment of its objectives. The agreement must be satisfactory to the members, to the employer, and, if the local is affiliated with a larger organization, it must be satisfactory to that organization. The resolution of the often conflicting objectives of these three parties is not easy, particularly in the negotiation of a first agreement before mutual confidence has been built up. The basic objectives which must somehow be reconciled to permit a working arrangement may be summarized as follows:

1. The security of the workers in their jobs and against adverse changes in the value of those jobs.
2. The improvement of the workers' jobs and their compensation.
3. The protection of management's prerogatives and authority sufficient for meeting its responsibilities.
4. The promise of uninterrupted production at a cost permitting profitable operation.
5. The continued strength and security of the union as an organization.

Management approaches bargaining with the conviction that it has at common law the right to operate the business in its own way. Unless this right is modified by law or unless management has voluntarily renounced by agreement a portion of that right, it stands; management can operate according to its own policy and procedures in the way it considers best. The primary attitude of management, therefore, toward the agreement arises out of this belief that it is signing away a portion of that right which heretofore it enjoyed. Management may hope to gain certain advantages from this process and even to get the union to modify certain of its rights (such as the right to strike) and to accept definite obligations. Since, however, the organization and management of the business are familiar under the old balance of rights and the new balance is unknown, naturally the employer is on the defensive.

The union is the aggressive agent. It is seeking to modify management's rights and create rights for itself and its members by placing upon management certain defined and compulsory obligations which theretofore it had not assumed or

could assume entirely at its own discretion. It is foolish to say that the immediate interests of the employer, employee, and union are the same in the negotiating of the agreement. They are not. The ultimate objective may be a result which is of mutual benefit; but when one party seeks to modify the rights of another by imposing obligations upon it, the immediate interests of the two parties are not and cannot be the same.

Before considering in detail the specific provisions which the parties seek to have put into the agreement, we should examine the sources of their interest in these provisions.

The interest of the workers in the security and improvement of their jobs rests, first of all, squarely on the fact that the job is their only source of livelihood. Some students of labor problems have said that the worker's job is his only "property" and that what he is seeking is "property rights in and to his job." It stretches the meaning of the word "property" to use it in this connection, but as an analogy it helps to clarify his interest in and behavior toward the job. Certainly for workers generally the job is the only source of income. It is natural for anyone to protect his source of income and livelihood. Property owners certainly do. The statutes of states and nations bear testimony to that fact. These prevent anyone from taking property without the consent of the owner, or changing its value or the return from its use without following a due process of law. Summed up in that last phrase are numerous rules and procedures, enforceable in the courts, through which anyone must go in acquiring property or in altering its value, or, if he owns it, using it for his own gain. Unless property owners had such protection, if someone could take their possessions away from them without their consent or even do things which decreased its value except by following certain rules of the game which are commonly accepted, how much security and promise would the possession of property give? The same principle applies if we turn from the ownership of property to its occupation under contract. The same bulwark of "due process" defends the occupier from the possibility that the owner shall set at naught the result of the tenant's labor by calling back the property for his own disposition until the latter has had the opportunity to realize on his efforts during the period and according to the terms of the lease.

Is property the only source of livelihood which needs this kind of protection? The workers say, "No." Their jobs are their only source of livelihood, and, to men accustomed to depend on the job for all they can hope to have, the protection of the expectancies from that job by rules appears as reasonable and sound as does the protection of the expectations from property ownership or use to men of property. The latter find real meaning and security in the reality back of the phrase "my property." The worker seeks similar meaning and security in the reality back of the phrase "my job."

Labor law is one means of accomplishing this end. Laws with respect to minimum wages, maximum hours, employment of women and children, safety and health regulations, payment of wages, and others impose obligations upon the

employer in connection with this source of livelihood, the job, which he can offer under contract to workers. These are not our concern at the moment. The more minute specification of "property rights in jobs" is, however, dependent upon the trade agreement. The majority of trade-union demands can be explained in these terms. By agreement they are trying to get more control for the workers over the determination of the kind of job they have, its processes, its speed, the conditions under which it is performed, its compensation. They are seeking a voice in and control over the value of the "property" in jobs. For instance, they may want a voice in task-setting, distribution of work, establishment of safety devices, lighting facilities, health protection, determination of rest periods and vacations, control of amount or speed of output, types of wage system, foremen's actions, hours of and compensation for work, all of which when taken together define the job and make it either "bum" or "swell." At the least they want a grievance procedure with provision for final reasonable decision if any action of management or fellow workers changes characteristics of the job to their disadvantage. In effect, they want the employer inhibited from making changes in the value of their property without their consent. They are saying, "These jobs are property contracted for use to us, and you can change our expectancies only by going through a due process of industrial law that we have built up here in our trade agreement. That agreement defines those expectancies and is a set of rules defining the process through which you have to go in making any change."

They try to reduce the area in which arbitrary decision of management determines whether or not they can retain their use of the "property." If he is going to take it away from them, they want a set of rules built up, a body of industrial law which defines the process by which that can be done. For instance, they want layoffs made according to seniority rules or division-of-work rules. Such rules do not deny the right of the employer to take their jobs from them. But typical rules do say, "When you do so, you have to follow the rule that, other things being equal, the fellow who has held his job longest will be laid off last, and when you give men back their jobs you will call them back according to a certain order. Moreover, you cannot lay off any until the reduced amount of work has been spread among the workers to a certain point."

Another example is the review of discharge by a joint committee before it becomes effective, or the making of discharges subject to the grievance procedure. Here is implied that management can fire men for some reasons and not for other reasons; but the worker should have the right to have the reasons stated and the evidence reviewed before his contract for the use of this "job property" is canceled.

Now to management much of this demand for rights in the value of and to the use of property in jobs looks like an interference with their right to make such disposition of their "property" as they see fit. It is. So are laws restricting landlords from dispossessing their tenants or changing the terms of the lease. So are laws governing the kinds of investments a savings bank can make. So are

zoning laws. So is the law applicable to any contract. But these restrictions on the rights of one party give protection to other parties; and if the other party has the power to enforce the restriction directly or through the medium of the state, the party of the first part has to put up with it. Someone always has to put up with a change when a shift is made in the balance of rights. Reasonable men will continue to ask whether that shift is to the mutual interest of both parties and whether it serves the public interest.

Management is not the only party upon whom obligations are imposed, however, in the effort to provide greater security of "property" in jobs for all workers in the group. The individual worker himself is forced to abide by the common law. This compulsion rests on a very fundamental bit of wisdom derived from experience. It goes something like this: If the wages and conditions of work enjoyed by the group are not to sink to the level of the weakest bargainer in the group, competition among individual workers must be reduced or eliminated. If this result is to be accomplished, the workers must agree to uniformity in all conditions of work or amount of pay in which they might come into competition with each other. Moreover, any changes in these conditions should not be made by individual bargains but through collective action applicable to the group as such. The center link in this chain of reasoning explains many of the provisions sought by unions in the trade agreement; it explains their insistence upon the "common rule" wherever there is danger that the competition of individual workers with each other might undermine the standards for the group.

The principle of uniformity or the common rule arouses most concern when applied to wages. We shall discuss that more fully in the section devoted to wages. Here it is to be noted that the principle does not imply the same rate for all men, but the same minimum rate for workers in each subgroup in which they are competing primarily with each other, and, for a given job, a minimum and a maximum which do not depart too far from the average for the group. But even when the rate is the same, competition might take place in work put out at that rate; hence the attempt to establish a standard amount of output for an hour or a day or a week that will serve as a maximum beyond which no individual is permitted to go and thus reduce the effective rate per unit. Competition in the number of hours worked per day or week is also possible. Hence the attempt to establish a basic workday and work week with the incentive for employers to offer work beyond this point reduced by penalty overtime. Workers might also underbid their fellows by a willingness to work under less than standard conditions for safety, health, allocation of work, supervisory regulations, equipment and material specifications, and countless other details that make up the job. The degree to which unions find it necessary to impose uniformity in such matters through the trade agreement will depend somewhat upon the solidarity of the working group and their acceptance of an unwritten understanding to put up with nothing less than standard, and somewhat upon the tendency of management to take advantage of the willingness of workers to compete with each

other in such matters and keep standards at a lower level than would prevail without this competition.

So the union will try to impose uniformities that restrict the individual worker from competition with his fellows, because this competition may enable the employer to offer less than the standard rate or conditions for the job. Moreover, it will want to make these uniformities extend over time and restrict any change it cannot control, lest, having won the battle at one point of time, it lose it at another—when the employer introduces new jobs, new processes, new timing, or new equipment, that once more stimulate the competitive urge in workers to profit by the change for themselves at the expense of the group.

These restrictions are exasperating to the employer and to many individual workers. They appear unreasonable to outsiders when they restrict production. They can only be understood if viewed against the background of experience accumulated by the union movement over a century and a half. They can be modified in the public interest or in the interest of the employer or workers only if they are understood and their consistency with the basic and not necessarily selfish objectives of the union is appreciated. For such restrictions will continue to be demanded in trade agreements until a better way is found to accomplish that basic objective.

We have said that the interest of the workers in the security and improvement of their jobs and in the protection of the characteristics of their title to those jobs rests upon the fact that the job is their only source of livelihood. The desirability of resorting to the trade agreement to define the characteristics of the jobs rests also upon the casual and usually oral nature of the labor contract. What commonly passes between an employer and a prospective employee who appears qualified for a job is merely an agreement, "I will do this job," and "I will pay you so much for doing it." Most of the characteristics of the job are left undefined; they are merely understood. It is assumed that any law pertaining to the job will be obeyed by both parties. It is assumed that the organization of the work and the conditions of work prevailing will continue; but these may not be clear to the worker; they may not even be clear to the employer. If we follow through with the analogy previously used, the worker is contracting for the use of property, the character of which is unknown to him, without any specified protection save the employer's good will against a change in its value.

An important function of the trade agreement is to bring these "understood" conditions out into the open, to get them clearly defined. That is the first step in compelling performance by management and the men consistent with the understanding. The trade agreement in its simplest function says, "When and if jobs are offered and accepted, these are the terms and conditions of employment which describe what a job means in this firm; and the parties agree that that meaning shall be fixed for the life of this agreement."

That removes a number of "understood" conditions from the sphere of usage or custom or *mores* and states them in terms which all can understand. All parties know what to expect. The workers are not contracting for a pig in a poke. This

is an obvious advantage to the workers. It strengthens the union and makes its task of enforcement and improvement more orderly, but it also protects the employers from disputes and disagreements with employees over what is involved in their individual contracts. Under a system of individual bargaining these dissatisfactions frequently never came out into the open; and as long as the workers tacitly accepted the principle that all characteristics of the job and their retention of title to it were ultimately determined solely by management, there was little point in raising an issue unless the situation became unbearable.

It may appear to employers that, far from clarifying and stabilizing the terms of employment, the trade agreement creates trouble where none existed before. The clauses of the agreement may be subject to more than one interpretation. The fact that the terms are in black and white calls them to the attention of the workers and gives them definite items whose adequacy or inadequacy can be appraised. The union, desirous of proving its value to the workers, will strive for continuous change and improvement in each negotiation for the renewal of the agreement. Moreover, it has a definite means of prosecuting grievance settlements. In some cases the agreement may appear to be more an instrument of warfare than of peace. All of this may appear to raise more problems than it settles. This effect cannot be denied, particularly in the transition from relatively unfettered management discretion in setting the terms of employment to collective bargaining on those terms. The justification of movements increasing popular participation in determining people's conditions of life lies not in the reduction of the number of problems for governors or governed. It lies in the removal of that frustration which free men feel when they have had no part in determining and defining their rights in matters upon which life, liberty, and the pursuit of happiness depend.

Naturally the major portion of the trade agreement will be made up of clauses which seek to accomplish the objectives just mentioned. If these clauses alone were considered, the trade agreement might properly be described as an instrument for imposing restrictions on management and the individual worker to increase the rights of the workers as members of the group. But management is also seeking to impose obligations.

It is frequently forgotten that management, by recognizing the union and agreeing to collective determination of the terms and conditions of employment and to their stabilization over a period of time, has acquired a right which becomes increasingly important as the size and complexity of its personnel problems increase. The obligation which supports this right rests upon the individual workers in the plant. Their pressure upon the employer for changes in the terms of employment and for the satisfactory adjustment of grievances must now be made in an orderly and organized way. Anarchistic pressure is discouraged. The employer has acquired a single instrument of communication on such matters with his employees. His individual workers have bound themselves to utilize that instrument. The employer might prefer to use a different instrument. He has acquired a right, nevertheless, which is backed by the workers' obligation to him

as well as to the union to act in concert rather than individually; and that obligation the union in its own self-interest is bound to enforce by every means at its disposal. This obligation is important to any employer whose working force is large and whose industrial relations are complex. It is a part of the process of reducing anarchy to at least a semblance of order. The process is particularly important in stabilizing his wage-cost expectancies. The union's compulsion upon management to pay as much as the contractual schedule of wages calls for during the life of the agreement equals the management's compulsion upon the workers and the union to ask for no more than that. Implicit in the specified terms of the agreement is the obligation on the union and the workers not to press for change over a specified period of time. Some agreements make this obligation explicit.¹

"No strike" and "no interference with production" clauses, sometimes with penalties for violation, seek to impose upon the union and the workers the obligation not to use the strike for effecting a change or settling disputes. "No coercion or intimidation" provisions are on their surface a protection for the employees, but management feels strongly its interest in such restriction on union tactics. Many managements, relying on the theory that in all matters in which they have not specifically fettered their discretion they are free to act as they choose, try in negotiations only to reduce to a minimum the rights they "sign away." Others, however, sense the necessity of making specific those areas in which their discretion shall be unhampered. So-called management clauses build fences around certain management functions which say to the union and the workers, "This is private property. Keep off. No thoroughfare. No hunting. No fishing." Such limitations may be placed upon matters which may be taken up as grievances or submitted to arbitration. The union by signing an agreement containing such clauses obligates itself to respect these limitations. A more positive obligation is accepted by the union and workers who undertake under the terms of the agreement to co-operate with management in the improvement of productive efficiency. Every statement of such restriction on the unions and the workers is a statement of management rights.

The union is not satisfied with a definition of the workers' rights. It is concerned about maintaining and improving its own strength. The continuing strength and security of the union, of course, may be considered a basic necessity in order that a strong agency may enforce the rights secured to the workers, and in order that a powerful instrument for winning additional rights may be kept in good working order. Nevertheless, certain clauses may give rights to the union as such by imposing obligations upon management and the workers. The union wants to control the supply of labor available. It may do so through restrictions on apprenticeship or training programs. The right to recognition as bargaining agent and to free participation of union members in union business is guaranteed by law. Particularly if the union is certified by the National Labor Relations Board its status in these respects is unquestioned. Whether or not certi-

¹ Some unions try to reduce this obligation by insisting on "reopening" clauses, particularly with respect to wages.

fication has been effected, however, it is customary to state these fundamental rights of the union clearly. The union needs a maximum participation in membership by all the employees of the bargaining unit. Therefore, if it does not have a closed shop, it seeks through union shop or some less satisfactory form of "union security" to require that all employees join after hiring, or at least that having voluntarily joined they will maintain their membership in good standing during the life of the agreement. The accompanying obligation on the employer is to discharge those who fail to join in the first case or those who withdraw or are ousted from the union in the second case. Some agreements provide that the union and even the employer shall discipline any member for harming the morale of the union. An obligation often imposed upon management is to deduct union dues from the workers' pay envelopes and to transmit these funds to the union. The machinery of union negotiation and grievance settlement ending often in arbitration is elaborately provided for in many agreements. Such provisions of course impose obligations all around, and establish accompanying rights. But a major result is to strengthen the union by providing it with a satisfactory instrument and procedure of operation. Other clauses which define rights of the union as an organization provide for preferential treatment for union officials and stewards (say in seniority); for the right of access of union officers to company property, to company officials, or to the employees for conducting union business, use of bulletin boards, and similar matters.

The selections in this chapter show the role of the trade agreement in industrial relations, its development and integration with the economic and legal institutions of our time. They also bear upon one of the major trends of our time, the expansion in the practice of industry-wide and area-wide agreements.

ROLE OF THE AGREEMENT

EMILE DURKHEIM¹

Division of Labor and the Contract

Contractual relations necessarily develop with the division of labor, since the latter is not possible without exchange, and the

contract is the juridical form of exchange. In other words, one of the important varieties of organic solidarity is what one might call contractual solidarity. Of course, to believe that all social relations come under the heading of contracts is false, because a contract supposes something other than itself. They are, however, special links which have their origin in the will of individuals. There is a consensus of a certain kind which is expressed in contracts and which, in higher species, represents an important factor in general consensus. It is thus necessary that, in.

¹ Emile Durkheim, *The Division of Labor in Society* (being a translation of his *De la division du travail social* with an estimate of his work by George Simpson), copyright 1933 by The Macmillan Company, pp. 381-82.

these same societies, contractual solidarity be, as far as possible, protected from all that can disturb it. For if, in less advanced societies, it can be unstable without great inconvenience . . . , where it is one of the eminent forms of social solidarity it cannot be threatened without threatening the unity of the social body at the same time. Conflicts arising from contracts become more serious as contract itself assumes greater importance in general life. Thus, whereas primitive societies do not even intervene in their resolution, the contractual law of civilized peoples becomes ever more voluminous. But it has no other object than to assure the regular concourse of functions which enter into relations in this manner.

For this result to be attained, however, it is not enough for public authority to desire that engagements contracted for be kept; it is still necessary, at least in the great majority of cases, that they be spontaneously kept. If contracts were observed only by force or through fear of force, contractual solidarity would be very precarious. A wholly external order would badly cover disturbances too general to be indefinitely controlled.

JOHN R. COMMONS
and JOHN B. ANDREWS¹

The Labor Contract

John B. Andrews was, until his death, president of the American Association for Labor Legislation.

Modern industry is mainly a matter of buying and selling. Scarcely any person lives on the things which he alone pro-

duces with his own property. Formerly the protection of his person and his physical property was the principal part of the law. Now the protection of that intangible property, which arises through buying and selling is defined in the law of contract, occupies the attention of lawmakers, courts, and the administrative authorities.

The labor contract is one of several kinds of contracts, which until recently has differed from the others but little in the eyes of the law. Like the others, it originates in an agreement, implies a promise, creates rights and duties, and is enforced, if need be, by the power of the state.

But the labor contract, in course of time, has come to be recognized as something peculiar. When a bushel of wheat is bought and sold, when a factory or farm is transferred, when a banker receives deposits or lends his credit, when a corporation issues stocks or bonds, the rights and duties created thereby can be fulfilled by delivering something external and non-human. But when a laborer agrees to work he must deliver himself for a time into the control of another. He earns his living, not by working upon his own property, but by working upon the property of another, and by accepting all the conditions he finds there. And, if he has no property of his own sufficient to fall back upon, he is under an imperious necessity of immediately agreeing with somebody who has. This peculiar relation between a propertyless seller of himself, on the one hand, and a propertied buyer, on the other, coupled as it is with equal suffrage of both in the politics of the country, has gradually acquired recognition as something sufficiently important for the government to take notice of. While the courts and law books have dealt with the labor contract as similar to other contracts, legislation goes behind the legal face of things and looks at the bargaining power which precedes the contract. It distin-

¹ John R. Commons and John B. Andrews, *Principles of Labor Legislation*, copyright 1936, by Harper & Brothers, New York, pp. 502-05.

guishes the price bargain, the investment bargain, the real estate bargain, and others, from the wage bargain. The former are dealings between property-owners. The latter is a bargain which involves not only wages, but also hours of labor, speed and fatigue, safety and health, accident and disease, even life itself. Unemployment is failure to make such a bargain; immigration, child labor, education, prison labor, collective bargaining, and so on, are conditions which determine the bargaining power of the laborer. Every topic in labor legislation is a phase of the wage bargain, and it is because a large class of people have come to depend permanently, not on their property or resources, but on these bargains with property-owners, that labor legislation has significance. . . .

When land and natural resources were free, labor was not always free. Slave labor in the South, indentured labor and apprenticeship in the North and South, contract labor from abroad, were based on legal devices by which the laborer could be kept from running away. Not until the enactment of the Thirteenth Amendment, following the Civil War, did slavery and involuntary servitude, except as a punishment for crime, become everywhere illegal. The labor contract henceforth has its peculiar significance. Although in theory it is like other contracts, yet it cannot in fact be enforced. The laborer cannot sell himself into slavery or into involuntary servitude. He retains the right to change his mind, to quit work, to run away. Certain other contracts can, in the absence of any other sufficient remedy, be enforced by the courts by compelling "specific performance." But specific performance of the labor contract is involuntary servitude. Business contracts, if violated, are ground for damages which the court orders paid even to the extent of taking all of the business property of the debtor. The labor contract also, if violated, is ground for

damages, but for the court to order damages paid out of labor property would be to order the laborer to work out the debt. This is involuntary servitude. Hence the employer is left with the empty remedy of bringing suit against a propertyless man. He can protect himself by making contracts which he also can terminate at any time by discharging the workman without notice.

Thus the labor contract becomes, in effect, a new contract every day and every hour. It is a continuous process of wage bargaining. It carries no effective rights and duties for the future and is as insecure as it is free.

RALPH F. FUCHS¹

Labor Contract

Ralph F. Fuchs was formerly at Washington University.

Narrowly defined a labor contract is an agreement, express or implied, between an individual worker and an employer under which the former agrees to perform work in return for compensation. Entry into the contract creates a relationship of master and servant or, in more modern terms, of employer and employee which entails mutual rights and obligations. These may be mentioned only in the broadest outlines or not at all in the individual contract itself but are defined by certain external controls, such as custom, judicial decision, legislation and collective agreement, and are assumed to form part of the contract. In so far as the individual

¹ From Ralph F. Fuchs, "Labor Contract," *Encyclopaedia of the Social Sciences*, copyright 1932 by The Macmillan Company, and used with their permission, Vol. 8, pp. 629-33.

labor contracts which prevail in a given legal-economic system thus largely conform to a common set of arrangements, it is possible to speak more broadly of "the" labor contract which characterizes the system.

Slavery, serfdom and forced labor are types of employment relation in the determination of which contract plays no part. In ancient society with its predominantly slave economy even such contracts for free labor as were made reflected the characteristic arrangements for the renting or maintenance of slave labor. In feudal society the typical employment relation was serfdom, under which the villein, or peasant, was born into a status from whose customarily determined obligations he could escape only under exceptional circumstances. Gradually there emerged a class of unattached agricultural and town laborers who were in a position to sell their services. Typically, however, the terms upon which they might do so were fixed by custom, guild regulation or law and not by contract. In England the Ordinance of Laborers of 1349 limited the wages that might be paid to agricultural laborers and workers in certain trades, compelled them to accept employment and in other ways determined their status. As early as 1381 in the Peasants' Revolt the demand was made that labor contracts should be free of legal restrictions. But it required four centuries of time and the dissolution of a subsequent widespread control over the employment of craftsmen and laborers of all sorts, established by the Statute of Artificers in 1562, for the peasants' demand to become an actuality. With the coming of the industrial revolution the system of free individual contract was established as the dominant type of employment relation.

Implicit in the concept of the labor contract is the idea that both parties are not only legally but actually free to bargain

for terms and equally able to grant or withhold as they see fit the services or economic opportunities which they control. The resulting contract then represents the terms of the greatest mutual benefit, based on the genuine consent of the two individuals. Such an ideal is measurably attained in the type of agreement whereby the services of a responsible manager or technician are procured by a business organization. Such a bargain frequently is concluded only after extended negotiations have led to the mutual acceptance of specified terms. A maximum of freely established elements thus is present in the ensuing employment.

In the great mass of labor contracts in the present economic system, however, although the parties are legally free to bargain for terms subject to limited control by law and collective agreement, economic necessity drives them together and along with other forces compels workers and less frequently employers to accept conditions which they have had little or no share in establishing. Market forces, custom, public opinion, collective bargaining and legislation play far more important roles than personal negotiation in dictating these contracts. By the time of the establishment of the free labor contract in England, the legally liberated worker, who was forbidden to combine with his fellow, often had to face an employer with whose economic power he could not cope. The worker simply offered his labor, which must be sold both because it was highly perishable and because he had no other means of existence. The employer possessed capital that was more lasting and that increased his power of resistance, and he generally had an over-supply of workers from which to choose. This situation was later aggravated by the emergence of corporations and of large scale businesses as employers in all important industries except agriculture. Similar conditions

accompanied the development of industrialism in the other occidental countries and have since spread into the Orient.

The history of the labor contract in the western world during the past century aside from the progress in abolishing slavery and forced labor is largely a story of efforts to introduce formal controls in the interest of the workers and of counter-efforts to preserve individual bargaining as the only acknowledged determinant of employment relations. The simple contract of employment has increasingly been recognized as primarily a means of entry into a relationship whose characteristics have been determined previously and may be altered later, analogous in some ways to the "contract" of marriage. Hence improvement in the terms of the relationship has been sought partly through legislation, embodied in safety and health acts, laws regulating the dismissal of workers, minimum wage and maximum hour laws, workmen's compensation and unemployment insurance legislation and other measures. At the same time certain employers have voluntarily improved the position of their employees not only by reducing hours and providing better working conditions but also by introducing company supported welfare work and pension schemes. More recently a few prominent employers have undertaken to guarantee a minimum amount of employment each year. Some concessions spreading through an industry or occupation have tended to establish certain customary rights of labor deriving from the labor contract, the violation of which, while not legally punishable, results in a loss of the goodwill of labor. All of these measures, however, have proceeded without regard to the shared control of the employment relation by employers and employees which the device of contract has been supposed to make possible. The effort to establish such control as a reality has proceeded largely

through the movement for collective bargaining.

Collective bargaining has become possible through the removal of legal restrictions upon the right of workers and employers to organize. It has for its purpose the democratic establishment of the terms of employment relations. It seeks to accomplish this end by means of a process of bargaining between employers, acting singly or in groups, and organizations of workers, thus bringing about negotiations between two parties or sets of parties whose economic strength has some approximation to equality. Where this process succeeds it results in controlling agreements which take many forms ranging from informal understandings to written contracts enforceable at law. The collective agreement is not a contract of employment. Of itself it puts no one to work and fills no jobs. It is rather legislative in its effect upon employment, for it binds the parties to bring about the introduction of its terms into the labor contracts to which it applies. Thus, in so far as the employees' organizations are actually in their own hands, collective bargaining confers upon the workers in groups a share in controlling their employment relations which they could not enjoy individually. Moreover the evil effect of competition among employers in the matter of labor costs is diminished where a number are dealt with on the same basis.

The legal source of the strength which the workers are able to exert both in seeking to establish collective bargaining and in carrying it forward is also the cause of their economic insecurity—the terminable nature of the typical labor contract of modern times. Since involuntary servitude has become contrary to public policy, even a contract of employment for a definite term cannot be specifically enforced. A damage suit for its breach would be of no use against an employee whose prop-

erty, as is generally the case, is worth less than the legal exemption from execution. In the United States moreover the cumbersomeness and expense of legal proceedings have largely closed the door of the courts to workers. These reasons combined with the economic convenience of employers have caused labor contracts ordinarily to be made terminable at the will of either party without prior notice. Hence the simultaneous quitting of employment or shutting out of workers in furtherance of a collective negotiation is not of itself a breach of contract or legal wrong, except where it violates the terms of a collective agreement. Neither is it an invasion of the rights of either party to a labor contract terminable at will for a third person, in furtherance of an otherwise legitimate purpose, to attempt to persuade the other party to withdraw from it. If, however, abuse can be shown in connection with any of these activities, an injunction—except as against the bare failure to offer to work or to employ—can be obtained in many states of the United States and in the federal courts. To aid in procuring this type of judicial remedy the so-called yellow dog, or individual non-union, contract has been used by numerous employers.

Preliminary organizing activity among workers having collective bargaining for its objective must be carried on by securing memberships in the labor union or at least promises to join from a considerable number of employees prior to the presentation of a demand upon the employer. The yellow dog contract furnishes a legal basis for checking this organizing activity without at the same time introducing the element of permanence into the employment relation. The essential element in such a contract is the promise on the part of the worker not to become a member of a union so long as he remains in the service of his employer.

Despite the fact that the only consideration for the worker's promise is employment, still terminable at will, the courts have tended to uphold the validity of these contracts and to protect the property rights created by them. In Hitchman Coal and Coke Co. v. Mitchell [245 U. S. 229 (1917)] the United States Supreme Court held that efforts to persuade workers who were bound by such contracts to promise to join a union without disclosing their intention to their employer or quitting their jobs could be enjoined in a suit filed by the employer. Thus the power of the judiciary to enjoin interference with non-union agreements is used to frustrate organizing activity. In 1930 it was estimated that well over a million workers in the United States were bound by such contracts. Only the New York Court of Appeals has indicated, without expressly holding, that such contracts will not be protected by injunctions [Exchange Bakery and Restaurant, Inc., v. Rifkin, 245 N. Y. 260 (1927); Interborough Rapid Transit Co. v. Lavin, 247 N. Y. 65 (1928)]. The courts of other states when faced by the issue have followed the ruling in the Hitchman case. As a result of considerable agitation by organized labor to nullify the force of that decision Congress in 1932 passed the Norris-LaGuardia anti-injunction act, which declared yellow dog contracts contrary to public policy and unenforceable by injunction or otherwise in the federal courts. The extent to which state legislatures and courts will follow this federal action remains to be seen.

The unrelieved individual labor contract terminable at will characterizes what appears to be relatively a brief phase in the history of the employment relation. Prior to the industrial revolution employment contracts in England, in the absence of stipulations to the contrary, were pre-

sumed to run for a year. Only gradually did it come to be established that the employer might dispense with this arrangement by rule or that a custom might authorize summary discharge. In virtually all countries the basic law of the labor contract laid down in judicial decisions or code provisions arrived at substantially the same result; but in Italy, France, Germany and other countries the movement toward a dismissal wage or notice of discharge, required either by legislation or collective agreement, has since made considerable headway. This development coupled with unemployment insurance legislation and legal provisions which make unpaid wages a preferred charge in insolvency proceedings defines the extent of the worker's claim upon the business enterprise to which he contributes, over and above his current compensation. It thus performs a function similar to the entrepreneur's or stockholder's right to the going concern value and to the bondholder's right to have the assets applied if need be to the satisfaction of his claim. A mutual obligation to give prior notice of the termination of a contract of employment does not necessarily apply to a strike or lockout, which may be considered in the same light as a layoff or shutdown, during which the employment relation may be taken to continue. . . .

In the United States individualism in the labor contract still dominates, partly because of a traditional adherence to "freedom of contract" as against both public and private control and partly because of limitations upon public control which the courts have held to be embodied in constitutional provisions. The general tendency, however, which is being reenforced by international conventions, seems to foreshadow greater security and participation in the benefits of machine industry for the workers, whose present insecurity

and inadequate compensation are an outstanding weakness of the legal-economic structure.

SELIG PERLMAN¹

Trade Agreements

Trade agreements or joint trade agreements are collective arrangements regulating wages, hours of labor and conditions of work for a stated period and are reached through collective bargaining between a trade union and an employer or association of employers. The scope of the agreement, that is, whether it is applicable to a given craft or to all crafts in an individual plant, in a particular locality or throughout the country, varies with the jurisdiction and bargaining power of the union and of the employers' association and the conditions of the industry. Historically the development has been from local agreements covering a single craft to those which, if not necessarily national in scope, are at least limited by the standards of the national or international unions. Functionally the trade agreement represents a system of joint voluntary regulation of labor conditions, the interpretation of its terms and the adjustment of grievances being provided for by a system of voluntary conciliation as a substitute for the methods of direct action.

The trade agreement appeared as a local manifestation in some crafts about the second half of the nineteenth century. In the United States the earliest recorded agreement with a national association was that of the Sons of Vulcan with the iron man-

¹ From Selig Perlman, "Trade Agreements," *Encyclopaedia of the Social Sciences*, copyright 1934 by The Macmillan Company, and used with their permission, Vol. 13, pp. 667-70.

ufacturers in 1865. In England trade agreements on a wide scale came into being in the 1860's. . . .

The development in England and in the United States . . . was almost entirely on a voluntary basis and never reached so large a proportion of workers, but where it was in force it represented a far more comprehensive scheme of regulation. This was true especially in the United States, where in many instances trade agreements regulated every detail of job conditions under varying situations and included provisions for an institutionalized machinery for interpretation and enforcement as well as for the adjudication of all disputes which might arise during the life of the agreement or at its termination.

The first significant national trade agreement, concluded in 1891 between the Iron Molders Union and the Stove Founders National Defense Association, stipulated a method of settling industrial disputes without suspension of work and upon its renewal was extended to include the setting of a general rate of molders' wages each year as well as provisions determining the ratio of apprentices to journeymen and regulating the introduction of machinery. The success of this agreement led to attempts to make similar arrangements with the National Founders' Association in 1898 and with the National Metal Trades Union Association in 1900. These were of short duration, however, and in 1903 the iron molders' agreement was terminated because of a dispute over apprenticeship and use of machinery. An even more difficult problem confronting the trade agreement, especially in industries characterized by close corporate semi-monopolistic ownership, as in the case of the steel industry, was the capacity of the union to organize on a nation-wide basis

and thus to control wage conditions. It was this difficulty which led to the refusal in 1901 of the American Steel Hoop Company to negotiate a national agreement with the hitherto powerful Amalgamated Association of Iron and Steel Workers, and which culminated in an unsuccessful strike with disastrous results for the union.

A very significant development in this period was the joint agreement concluded in 1898 in the "central competitive field" of the bituminous coal industry, which has been characterized by wide variation in conditions of production. As early as 1886 the mine workers' union proposed a regional agreement in order to enforce "competitive equality" and to eliminate cut-throat competition in labor standards. But it was not until the victorious and widespread strike of 1897 that the operators of the four states in this area could be induced to act jointly. Since that time a number of similar agreements have been reached for other coal producing areas, the basic conditions of the central competitive field serving as the standard for adjustment. During and after the World War the bituminous coal agreements were negotiated on a national basis; no agreement was made in the outlying fields until negotiations had been completed in the central competitive field. The gradual encroachment of the non-union fields upon the markets of the union producers led to a breakdown of this system after a quarter of a century of operation; and the Jacksonville agreement of 1924, terminating in 1927, was the last widespread agreement in the bituminous fields prior to the inauguration of the National Industrial Recovery Act.

In the anthracite coal industry, on the other hand, with its close corporate ownership and restricted area of production the mine workers' union for some time was

forced to depend on governmental conciliation for its agreements. The first agreement was the result of an arbitration award by a governmental commission, after the strike of 1902, settlement of disputes being entrusted to "outside" conciliators. The agreement, although signed by officers of the national union, did not recognize their affiliation; this situation persisted until 1912, when an agreement was signed on behalf of a non-existent union, the "Anthracite Mine Workers' Organization." The system of conciliation now more nearly resembles that in the bituminous coal industry.

Other examples of trade agreement as a method of regulating working conditions in highly competitive industries are to be found in the men's clothing and in the women's garment industries. In the former the trade agreement appeared after a long and violent strike in Chicago in 1910; since that time it has been extended to other centers. While wage and even hour schedules may vary for districts, the national union participates in regional negotiations. Although the preferential rather than the closed shop prevails, the trade agreement and the machinery for adjudication cover a wide range of conditions, including piecework rates, production standards and introduction of machinery. In Chicago a unique feature of the agreement in the men's clothing trade is the provision, dating from about 1923, for an unemployment insurance fund based on the joint contributions of workers and employers and administered through a joint office. While this fund does not provide for long time unemployment, it represents an attempt to furnish unemployment relief through collective bargaining and without governmental intervention. Similar provisions for unemployment insurance funds have been in-

cluded in the New York and Cleveland women's garment markets and in the New York dress industry, under agreement with the International Ladies' Garment Workers' Union, which also has trade agreements in other localities and in numerous branches of the women's garment industry. In New York the scope of joint regulation in the industry has been extended to the enforcement of sanitary conditions through a joint board of sanitary control, which for a period also was entrusted with the issuance of a label testifying to the production of garments under prescribed conditions.

A type of agreement which establishes permanent united action among workers organized separately in different crafts has been developed among the railroad shopmen. The desire of the crafts to enter into agreements expiring simultaneously led to the formation of system federations, then to the Railway Employees Department of the American Federation of Labor and ultimately to one agreement covering all shop employees on a particular railroad system instead of single agreements with each craft. In September, 1919, the United States Railroad Administration and the shopmen's unions concluded national agreements which embodied very liberal principles in regard to rules and job conditions. Upon the return of the railroads to private management in 1920 employers' pressure for the abolition of the national agreements led to the national shopmen's strike in 1922.

The extent and coverage of trade agreements in the United States cannot be ascertained from any published statistics. Roughly they can be said to have corresponded to the number of organized workers, although in some localities and crafts where the union considers its power sufficient there is no use for the written

agreement. Undoubtedly the depression beginning in 1929 and the loss of union strength tended to retard the development, both in scope and in effectiveness. . . .

Most American and British trade union leaders have considered the trade agreement to be the very essence of trade unionism. Violation of these agreements by "outlaw strikes" has been punished in many unions by suspension of charters or by expulsion.

Indeed the instrument of the trade agreement has been a powerful factor in the centralization of control in trade union organizations. While local autonomy may play some part in the negotiation of agreements and the setting of local standards, the necessity for national standards has minimized the importance of the local body. Moreover, although many unions provide for the selection of negotiators in a general representative convention, which may also pass on the scale, in others authority to make such agreements is vested in the officials. While this view is consonant with the conservative concept of the function of trade unionism, the syndicalists and other revolutionary unionists oppose the trade agreement as a manifestation of class collaboration and are at most willing to make only agreements of brief duration, which they do not consider binding. This explains in part the virtual non-existence of the trade agreement in pre-war France, dominated as it was by syndicalist unionism. In general American trade unions have looked with some suspicion on the use of the machinery of government to enforce agreements. Curiously enough, however, it was one of the more progressive of the American unions, the International Ladies' Garment Workers' Union, which when faced by an attempt of employers to annul a trade agreement secured an injunction which was later made permanent. . . .

SUMNER H. SLICHTER :

Emergence of a System of Industrial Jurisprudence

Collective bargaining, as carried on by labor unions with employers, has two principal aspects. In the first place, it is a method of price-making—making the price of labor. In the second place, it is a method of introducing civil rights into industry, that is, of requiring that management be conducted by rule rather than by arbitrary decision. In this latter aspect, collective bargaining becomes a method of building up a system of "industrial jurisprudence." Through the institution of the state, men devise schemes of positive law, construct administrative procedures for carrying them out, and complement both statute law and administrative rule with a system of judicial review. Similarly, laboring men, through unions, formulate policies to which they give expression in the form of shop rules and practices which are embodied in agreements with employers or are accorded less formal recognition and assent by management; shop committees, grievance procedures, and other means are evolved for applying these rules and policies; and rights and duties are claimed and recognized. When labor and management deal with labor relations analytically and systematically after such a fashion, it is proper to refer to the system as "industrial jurisprudence." It is solely with this second aspect of collective bargaining that we are concerned. . . . The price- or wage-making aspect of collective bargaining is essen-

¹ Sumner H. Slichter, *Union Policies and Industrial Management*, The Brookings Institution, Washington, D. C., 1941, pp. 1-2.

tially a separate subject, although we shall have occasion in later chapters to comment on certain points of contact between the two phases of collective bargaining.

THE MODERN WORKER'S DEMAND FOR PROTECTIVE RULES

Wage earners have many specific purposes in seeking to build up a system of industrial jurisprudence. They wish to protect their organizations against being weakened by employers who might discriminate against union members; to strengthen their organizations by making union membership an aid to employment; to allocate limited opportunities to work; to make more work for themselves; to protect themselves against the cost and impact of technological change. Underlying these specific purposes, however, and far more important, is the desire of the workers for protection against the arbitrary and uncontrolled discretion of management. It is the desire of the modern worker for such protection which gives the real significance to the system of industrial jurisprudence which collective bargaining has built up. The workers of today in American industry are increasingly men who have had some high school training. Between 1890 and 1940 the annual number of high school graduates increased thirty-fold. A large proportion of the new entrants into industry have completed a high school course and nearly all of them have had at least one or two years of high school work. Workers of this kind expect management to be conducted in accordance with rules. Furthermore, they expect to help make the rules and to have an opportunity to appeal to a proper person when, in their judgment, the rule has not been observed. In short, the days are coming to an end when the boss's word, no matter how unreasonable,

is law. Modern business management must expect to operate within the framework of a system of industrial jurisprudence.

ELIAS LIEBERMAN¹

The Evolution of the Collective Labor Agreement

Elias Lieberman (1888-) has been attorney for a number of American labor organizations, including the International Ladies' Garment Workers' Union AFL, actively engaged in the negotiation of collective agreements.

The development of the labor agreement passed through the following three stages: (1) the stage of suppression, (2) the stage of tolerance, (3) the stage of respect. Each of these stages reflected the attitude of society toward the worker in particular and organized labor in general.

THE STAGE OF SUPPRESSION

Since a collective labor agreement cannot be secured unless the workers combine to secure it, and since a combination of workers for the improvement of their conditions was condemned by law, no labor agreement could come into existence. The courts lent the full weight of their authority on the side of the employers to keep the workers suppressed.

THE STAGE OF TOLERANCE

With the progress of trade unionism in the United States, the labor agreement reached the Stage of Tolerance. Society

¹ Elias Lieberman, *The Collective Labor Agreement*, copyright 1939 by Harper & Brothers, New York, pp. 3, 5, 7, 8, 13, 14, 16.

tolerated it as a compromise between property rights and human rights. The employers tolerated it as a necessary evil. The courts tolerated it as a gentlemen's agreement, not necessarily enforceable but useful for industrial peace.

THE STAGE OF RESPECT

With the outbreak of the World War in Europe, large orders for materials necessary to the conduct of war were placed with American industries. When the United States joined in the war, it became extremely important to the industrial war economy to secure the cooperation of labor in preventing cessation of work. The arrangements made between employers and employees had to be respected. The terms of employment agreed upon were, as a sign of cooperation, embodied in the labor agreement which the employers obligated themselves to observe and, in turn, expected labor to observe. The labor agreement thus grew in prestige.

The prestige thus added to the labor agreement encouraged unions to test the legal validity and enforceability of the agreement which heretofore they were reluctant to do. In 1921, the International Ladies' Garment Workers' Union, which had been in the forefront of the development of the labor agreement as an instrument of industrial peace, departed from the former labor tradition and went to court to enforce the collective agreement it had with the Cloak and Suit Manufacturers' Association of the City of New York, which had embarked upon a policy of nullifying the agreement and advised all its members to lock out the union workers. Ordinarily the Union would have answered the challenge with a strike. The time for a strike was not propitious. The Union therefore applied for an injunction to restrain the Association and its members from violating the terms of the

collective labor agreement. This was the famous case of *Schlesinger v. Quinto*, 201 App. Div. 489, 194 N.Y. Sup. 401. The court granted the Union's application for an injunction against the Association and its members and in its decision stated that the cases "thus far decided have been at the suit of the employer against combinations of labor for the simple reason that this is the first time that labor has appealed to the court." The court thus put its stamp of approval on the validity and enforceability of the labor agreement. Since the *Schlesinger v. Quinto* case, there have been many instances where unions have applied to the courts for injunctions to restrain violations of collective agreements and have succeeded in securing such injunctive relief.

While the courts of various states are far from unanimous in granting injunctive relief to unions to restrain employers from breaching the terms of existing collective labor agreements, the decision in *Schlesinger v. Quinto* gave sanction to the contractual status of the collective labor agreement and placed it unqualifiedly in the Stage of Respect.

ELIAS LIEBERMAN¹

The Legal Status of the Collective Labor Agreement

The growing social power of organized labor was periodically reflected in the changes in the attitude of our courts toward labor organizations and the proc-

¹ Elias Lieberman, *The Collective Labor Agreement*, copyright 1939 by Harper & Brothers, New York, pp. 22-24.

ess of collective bargaining with its culmination in the collective labor agreement. The earliest decisions held that collective labor agreements were of no particular legal effect, similar to a treaty between nations which could not necessarily be enforced in any court. This view was expressed in the case of *Berkhammer v. Cleveland Morgantown Coal Co.* This soon gave way to a second theory, that collective labor agreements are "gentlemen's agreements," not necessarily enforceable as collective, but nevertheless of use to the workers as individuals. Under this interpretation, it was held that collective labor agreements established usages, which unless expressly rejected were binding terms of the individual's employment. While the collective agreement was not a contract in the sense of an offer and acceptance, it was "a memorandum of rates of pay and regulations covering conditions of employment." Under this theory, the individual employee has in some way to "adopt" the terms of the agreement in order to benefit by it. Some jurisdictions require knowledge on the part of the individual who seeks to benefit by the agreement, while others have held that knowledge of the specific terms of the agreement is not essential.

The theory of usage raises the problem as to which workers are included under the agreement. Are only the union workers included? But custom be limited to cover one worker and exclude another. If the custom exists, it exists for all those similarly situated. Under this theory, the rights of non-union workers under such an agreement are occasionally recognized.

The courts later modified the theory of usage to justify the recognition of the labor agreement as partaking of the nature of a contract. Some courts upheld the agreement on the theory that the union is the agent of the individual union mem-

bers. This theory recognizes the union as a sufficient juristic personality to make binding contracts and to act as an agent. The principle of agency is the one applied in the decisions of the National Labor Relations Board in certifying the chosen representatives for collective bargaining. Other courts supply an additional reason for enforcing collective labor agreements, that the worker is the third party beneficiary of the agreement made between the union and the employer.

As a general rule, the collective labor agreement is now a legally enforceable document, a valid contract between the parties, the violations of the essential provisions of which will be restrained. In some respects, however, these agreements have not yet reached the full maturity of an ordinary business contract. The courts so far, in practice, have hesitated to grant damages to the union as such for a violation of an agreement by an employer, although the breach is definitely established and a restraining order has been granted.

Professor William Gorham Rice, Jr., has posed several searching problems in connection with the legal status of the collective labor agreement:

"Thus the American law, as it now stands, tends to develop these collective agreements into something more than a custom and yet something different from a contract, for the breach of which damages is the normal remedy. In this plastic state of the law, who can foretell what answer will be given, perhaps by statute, to such questions as the following:

"(1) How far will the agreement, as a custom, be read into the relations of persons who have never joined the group, have joined it after the collective agreement was made, or have resigned or been expelled from it?

"(2) How far in the case of collective employment agreements will the courts

recognize the doctrine that members who do not participate in or ratify the making of a contract are not bound by it? Will even active dissent from the conclusion of such an agreement by the organization, acting according to its own rules of procedure, save a member from its entering into his labor relation as a custom, unless expressly excluded? Or will it only save him from liability for damages for breach—if, indeed, damages are ever recognized as appropriate when there is a breach of a collective employment contract? Or will it prevent the bringing of suit against the group under statutes permitting suit only where all the members are liable?

"(3) Should an individual employment contract made by a member of a group, whether of laborers or of employers, contrary to his group engagements (at least if known to the other party) be deemed—especially if it be concealed from his fellow members—a valid contract? That is, assuming that the collective agreement between the groups is valid and, by its terms or the terms of union membership, not subject to individual variation, should individual variant employment contracts have any legal validity? Or, to put it in another way, may not the principle of specific enforcement of collective contracts be given the turn of making unlawful any contract, entered into by individuals who are within the scope of the collective contract, which departs from the rules of the trade so established?

"(4) In short, will the law eventually recognize these collective employment agreements, if developed on a large scale, as having the normative character which they have attained in several European countries?

"Perhaps we need a new legal category for these agreements, for they do not easily fit into existing conceptions of mere cus-

toms or of mere contracts, or even of the two combined. To give these trade agreements a new name does not tell what their legal effect is; yet it does encourage the courts to give to them a potency not fairly deducible from contract law."

The modified view of the courts on the legal status of the collective labor agreement has affected the attitude of organized labor toward it. Both the American Federation of Labor and the Congress of Industrial Organizations accept the collective labor agreement as the vehicle best adapted to the improvement of the workers' conditions. These unionists believe that agreements once entered into must be respected by employer as well as by the union. A bargain is a bargain under our system. They look upon the agreement as the result of collective bargaining; a mere verbal or gentlemen's agreement under modern industrial conditions is by no means adequate to prevent misunderstandings or misinterpretation of the terms agreed upon. While labor insists that the terms agreed upon should be embodied in a written agreement enforceable in the courts, it considers the aid of the court in enforcement of the agreement secondary in importance to its own organized power.

UNITED STATES DEPARTMENT OF LABOR ¹

Unions Suable in 35 States

Labor unions are not exempt from suits because they are labor unions despite the widespread impression that this is the case.

¹ United States Department of Labor, *Labor Information Bulletin*, March, 1947, p. 16.

There is no legal basis for such a conclusion. Labor unions are exempt from suits as entities only in 13 States. These States are: Arkansas, Georgia, Illinois, Kentucky, Maine, Massachusetts, Missouri, Mississippi, New Hampshire, Oregon, Rhode Island, Tennessee, and West Virginia. In these States labor unions are suable to the same extent as are other unincorporated associations.

Under the Federal Rules of Civil Procedure making State laws concerning suits against union corporated associations applicable, there are 35 States where unions can sue or can be sued in the Federal and State courts.

PAUL F. BRISSENDEN¹

Paul F. Brissenden (1883-) is a labor economist, now at Columbia University, known particularly for his work on the IWW; he was a member of the New York Regional War Labor Board.

¹ Quoted in *The I.W.W., A Study of American Syndicalism*, by Paul F. Brissenden, copyright 1919 by Columbia University Press, New York, p. 371.

Contract as Impediment

TIE 'EM UP!

(Words and music by G. G. Allen)

Why do you make agreements that divide
you when you fight
And let the bosses bluff you with the con-
tract's "sacred right"?
Why stay at work when other crafts are
battling with the foe?
You all must stick together, don't you
know?
The day when you begin to see the classes
waging war
You can join the biggest tie-up that was
ever known before.
When the strikes all o'er the country are
united into one
Then the workers' One Big Union all the
wheels shall run.

CHORUS

Tie 'em up! tie 'em up; that's the way
to win.
Don't notify the bosses till hostilities
begin.
Don't furnish chance for gunmen,
scabs and all their like;
What you need is One Big Union
and the One Big Strike.

SCOPE OF THE AGREEMENT

RICHARD A. LESTER
and EDWARD A. ROBIE¹

Economic Effects of National and Regional Collective Bargaining on Wage Determination

1. Under national or regional bargaining, wage decisions are likely to be more sensible and far-sighted, taking into consideration the economic interests of the industry as a whole, than is the case where the wage pattern for the industry is established by a wage "leader" or by local bargaining, with the union playing one firm against another. Experience (e.g., West Coast pulp and paper in 1940) indicates that the union's wage demands may be more modest when they apply uniformly and simultaneously to all plants in a multiple-employer unit. Illustrative also of the tendency for responsibility and caution to prevail under national and regional bargaining are the warnings of the Hosiery Workers' officials in 1946 against "irrational opportunism" in a temporary boom.

2. Generally speaking, wage and earning levels do not appear to have risen more rapidly under national and regional bargaining than for manufacturing as a

whole. That, for example, appears to be true for flint glass, pottery, hosiery, silk and rayon dyeing and finishing, and probably for stoves although adequate data are not available for purposes of comparison. Indeed, the level in pottery from 1912 to 1929 and in hosiery during the 1930's rose less than that for all manufacturing, and in silk and rayon dyeing and finishing wage rates remained the same for six and a half years following December, 1934. Wages in West Coast pulp and paper have risen somewhat relative to the industry in the rest of the country but, at times, the increase in the related lumber industry has exceeded that in pulp and paper on the Coast. And although the increases in flat glass have been greater than for manufacturing in general, they have tended to parallel those in neighboring steel and aluminum industries. Obviously no conclusions can be drawn for the period of Federal wage control during World War II.

¹ Richard A. Lester and Edward A. Robie, *Wages under National and Regional Collective Bargaining*, Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J., 1946, pp. 93-95.

3. Levels of wages in the seven industries taken as a group are not high; for some occupations or areas the rates are relatively high and for some comparatively low. On the basis of job requirements, flat glass wages are relatively high both for the South, and also for window glass cutters. The pay of maintenance workers is high in West Coast pulp and paper, particularly in view of the stability of employment they have enjoyed. The hourly earnings are comparatively high for some skilled jobs in full-fashioned hosiery and are exceptionally high for some unskilled jobs (such as sweeper) in silk and rayon dyeing and finishing. On the other hand, hourly wages are com-

paratively low in the lowest paying jobs in flint glass and hosiery, and are not relatively high for some of the semi-skilled and skilled jobs in silk and rayon dyeing and finishing.

4. Wage patterns under national and regional collective bargaining apparently have not served to place any additional restraint on technological improvement and new investment. At least that seems to have been the case in such industries as pottery, flat glass, and, during recent years, in full-fashioned hosiery. In 1938 an arbitrator reported that some hosiery piece rates were obsolete and restrictive. In flint glass, some employers have complained that failure to vary the piece rates with differences in equipment has tended to retard the introduction of improved techniques. Experience in hosiery and pottery indicates that the rate structure under national bargaining can be adjusted to eliminate any such retarding effect.

5. Monopolistic or collusive practices with regard to wages or economic change have not characterized any of the seven industries. Indeed, elimination of wage-cutting has tended to stress efficiency of management as the most important factor in competition. The anti-trust case in flat glass has not concerned collective bargaining. In silk and rayon dyeing and finishing, union officials apparently have been making sincere efforts to loosen up pre-existing limitations upon output by individual employees. In adopting a policy of uniform wage scales, the union gives up the possibility of monopolistic price discrimination—fixing wages according to each employer's ability to pay.

6. Under national and regional bargaining, wages do tend to be somewhat more stable and rigid than under local bargaining. Group bargaining and national agreements may serve as a brake on wage movements both upward and downward. Wage uniformity, with a scale of wages

contained in the national agreement, tends to reduce wage flexibility between occupations, between firms, and between localities. Such a tendency can, however, be considerably modified by such means as specifying only minimum rates for some occupations (as in pottery, flint glass, and silk and rayon dyeing and finishing), allowing firms to have varied incentive systems (as in flint and flat glass and in silk and rayon dyeing and finishing), permitting alternative methods of payment for some jobs (as in pottery), providing for special pay for non-standard jobs (as in flint glass and full-fashioned hosiery), or omitting certain jobs from the agreement (as in pottery and hosiery). The most rigid wage set-up discussed in this report is that in West Coast pulp and paper.

7. Local interests and the interests of smaller firms have generally been well represented in wage negotiations under national or regional bargaining in the seven industries. In the employers' associations, each firm has one vote in flint glass and each mill has one vote in West Coast pulp and paper. On the union side, the proposed wage scale is submitted to a referendum of the membership in all covered locals in the case of hosiery, West Coast pulp and paper, and two branches of flint glass. The most unsatisfactory situations from the point of view of representation of minority interests are flat glass, where prior negotiations with the two big companies tend to establish the wage pattern for "Little Glass," and silk and rayon dyeing and finishing, where the nature of the industry and the division among employers place a large part of the wage-determining power in a highly centralized union.

8. The friction and labor strife involved in changes in money wage levels may be reduced through national or regional bargaining, judging by the experience in these seven industries. Concentration of

the change in one industry-wide determination avoids the labor unrest and series of strikes that often accompany competition between firms in the timing of wage changes or competition between rival unions in exacting concessions from employers. Labor relations in the seven industries have been relatively peaceful.

JOHN V. VAN SICKLE¹

Industry-wide Collective Bargaining and the Public Interest

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It may be said at the outset that the arguments in favor of industry-wide collective bargaining are based on the obviously fallacious idea that labor can be protected from the forces of competition while the system as a whole is kept competitive. Our conclusion will be that the general adoption of industry bargaining makes for monopoly capitalism which can be nothing but a way-station on the road to socialism. If the American people want socialism, industry-wide collective bargaining is one of the most effective ways of getting it. If they do not want it measures should be taken to abolish, or at the very least, to keep this kind of collective bargaining confined within very narrow limits. . . .

Industry-wide collective bargaining re-

quires common action by all employers in an industry with respect to the largest single cost item in their operations. This common action tends to result in the complete standardization of the rates of pay for the various categories of workers in all the plants in the industry. . . . This is inevitable since plants that are able and willing, or that would in any event be forced to offer unusually favorable terms, want assurances that their competitive positions will not be weakened by collective bargaining. Labor's representatives avowedly press for all that the traffic will bear. Wage standardization is the end goal of industry-wide collective bargaining and it must be judged on this basis.

Good strategists that they are, union leaders place greatest stress on ethical or, to be more accurate, pseudo-ethical arguments. Wages, they argue, *should* be set by what the industry can bear. The rate *should* be the same in all plants, since by and large they use the same kind of machinery, employ workers who perform the same or very similar jobs, produce goods of the same general type and sell them at uniform prices in the national market. To pay less in one plant than in another is to permit management to make an *unfair* profit at the expense of labor. More than this, the practice allegedly undermines standards in high wage plants, reduces purchasing power, creates unemployment and leads to industrial unrest. Hence plant differentials, which are assumed to rest on the *unequal* bargaining ability of the workers, weaken the private enterprise system. Management also is said to gain by wage standardization because it knows that it will not have to meet the kind of competition that derives solely from the ability of a rival to slash wages. Top management and top labor can now begin to think and plan for the industry as a whole and for all of the capital and labor attached to the industry. With the pressure

¹ Reprinted by permission of the author from John V. Van Sickle, *Industry-wide Collective Bargaining and the Public Interest*, American Enterprise Association, Inc., New York, May, 1947.

shifted to the administrative and technological phases of production rapid improvements in production can be expected. In this fashion it is claimed the consumer interest, which at first glance appears to be neglected, will be adequately protected. . . .

To understand what really happens we have to look beneath the surface. We have to see not only those who obviously benefit from industry-wide collective bargaining but the much larger numbers who get hurt. We have to see not only the short-run but also the long-run effects of this policy. We have to come down out of the clouds and look at the American economy as it *is*. We have to understand how it really works.

Anyone with even the most superficial knowledge of the American economy knows that what the Census calls an "industry" is a statistical abstraction. What counts are the plants that make up an "industry"—large plants and small plants, plants in big cities and plants in small villages, seasoned enterprises with well-established markets and strong banking connections, struggling newcomers working on a shoestring and wondering where the money is coming from to meet tomorrow's payroll. Each of these plants has an ability to pay. The industry as such has no ability and arguments based on the ability of the industry as a whole have no foundation in fact and are wholly misleading. Even the pooled earnings of a corporation with scattered branches do not measure the wage paying capacity of the individual plants. A company can and will close down a plant that is losing money. Year in, year out, the so-called earnings of an industry are made up of losses as well as gains. . . .

No workable wage structure can be built on the earnings of "an industry." If the union succeeded in getting wages up as high as the strongest companies could

take and stay in business the mortality rate in the rest of the industry would be terrific. As plants closed down prices would rise and this would save some of them but at the cost of consumers and wage earners generally. Until such time as the plants in an industry are merged into a single giant trust there is no sense in talking about an industry's capacity to pay wages, taxes or anything else. And any such merger would be the beginning of the end of individual private enterprise. Industry-wide collective bargaining is an excellent way to start the debacle. . . .

A sound wage structure is one that increases the incentive for inanimate capital to move to areas of surplus labor and not one that imposes on this surplus labor the harsh necessity of moving to existing high wage areas. In a free and dynamic society both labor and capital should be mobile but on the whole social controls should aim at increasing the mobility of capital so as to reduce the need for massive movements of men.

These considerations provide the basis for a definition of fair wages that is sound from the social as well as from the economic point of view. Fair wages are wages that will maximize employment in local market areas. Within such areas responsible collective bargaining can strengthen the competitive forces which tend to equalize rates of pay for similar work regardless of industry classifications. The concept of a fair wage makes sense only in local areas because it is only within such areas that mobility of labor is reasonably present. As between local labor market areas wage differentials reflect differences in the relative supplies of labor and capital, and at the same time set in motion movements of capital from high to low wage areas and movements of labor from low to high wage areas. These two-way movements operate to equalize real wages in different communities.

Historically the wage pattern in the United States has conformed with what general reasoning would lead one to expect. Money wages for similar work have tended to vary with the size of the community. It is still the pattern when wages are determined by the inter-play of local forces.

This tendency for wages to vary with community size is wholesome. It creates an economic advantage in decentralization. It discourages the starting of a new business in a big city unless there are special economies associated with the big city. It forces going businesses to weigh the relative advantages of expanding existing plants against the establishment of branch plants in smaller communities. This development enriches the less urbanized parts of the country, makes it easier to provide nonfarm opportunities for the sons and daughters of our prolific farm families, gives greater stability to our cultural life and, in this dangerous atomic age, promotes that decentralization which military strategists regard as a national imperative.

Industry-wide collective bargaining should be judged in the light of these socio-economic considerations. But much more is involved. Will it really accomplish all the good things claimed for it by its advocates?

1. *It reduces wages as a whole and increases wage inequalities.*

This is not the most important issue, but since the advocates of industry-wide collective bargaining are ardent proponents of "full employment" and equally ardent critics of all social inequities, it seems advisable to dispose of this issue first.

The plants that make up an "industry" tend to be located in communities of very different sizes. In general, the plants in big cities are obliged by competitive conditions to pay higher wages than those

prevailing in smaller communities. The possibility that these big city plants may migrate to small communities limits the bargaining power of the unions. This is all the more important if part of the industry is already located in what union leaders disdainfully call the "hinterland." During the 1930's a considerable migration occurred.

The rubber industry provides a good example of the moderating influence of the migratory capacity of an industry. It also explains why union leaders attach so much importance to industry-wide collective bargaining.

During the 1930's the wages of the rubber workers in Akron, the capital of the industry, were pushed up substantially under union pressure. Akron became known as a high-wage town. The companies met the pressure by concentrating their expansion programs in smaller communities. Their practice was to pay slightly better than the highest wages prevailing in these communities for the types of labor they required. Even so, they were well below the Akron level. Akron's future was threatened and with it the future of the union. In 1937 the union countered by levying an assessment of 2½ cents per worker per month "to organize the hinterland." In 1940 the assessment was raised to 5 cents.

The alleged purpose of the organization drive was to stop what was claimed to be the exploitation of the rubber workers in the hinterland. The real purpose, of course, was to bring the industry back to Akron. Neither the leaders nor the rank and file were concerned about the consumer. Consumers as such have no special interest in riding on tires made in Akron. If tires can be made at a lower money cost in smaller communities consumers will sooner or later get their tires at a lower price and will buy more tires or have more money to spend on other

things. Lower prices mean more jobs for rubber workers. Stopping expansion in smaller communities by forcing rubber factories there to pay wages well above the prevailing rate thus blocks price reductions, reduces the total number of jobs in the industry, and particularly reduces the number of well paid jobs in the smaller communities—as judged by local standards—and piles up the numbers competing for the lower paying jobs available in these communities. Thus good jobs in terms of available alternatives are destroyed in the precise places and the precise industries where they are most needed. Advocates of industry-wide collective bargaining see Akron's gain. What they fail to see is the consumer's loss and the new jobs that fail to materialize.

2. It destroys purchasing power.

The maintenance of purchasing power has become a fetish. Every measure is praised or condemned according as it promises to increase or decrease purchasing power. . . . The maintenance of purchasing power is desirable but we are still faced with the problem of distinguishing between measures that do and measures that do not increase purchasing power.

Industry-wide collective bargaining because of its emphasis upon wage standardization is one of the measures that does not sustain purchasing power. Forcing up wages in smaller plants and in smaller communities reduces the number of well-paid jobs and hence destroys purchasing power at the precise points where it is desirable that purchasing power be generated. The availability of labor at lower rates in small communities is both an evidence of relative lack of employment opportunities and an incentive for the creation of real purchasing power through investment of funds in new and expanding industries in these communities. This dispersion of purchasing power to smaller communities increases the number of bet-

ter paying jobs where new jobs are most needed, makes it possible to provide more goods at lower prices and thus increases the real purchasing power of all of us.

3. It hurts small business and discourages the starting of new business.

The purchasing power argument is a "red herring." It obscures the real issues. Much more important from the long range standpoint is the effect of industry-wide collective bargaining on the birth rate and the health of infant businesses.

New businesses generally start in a small way and on a shoestring. All too often they represent an act of faith. The high mortality rate of "infant" businesses shows how much faith is needed. To clap on such firms from the very start the standards that only well-established businesses can stand is to multiply the risks and cut down the small-business birth rate. When bargaining is carried on at the plant level, it is easier for workers to see the situation from the point of view of the "boss" because they know him and know what he is up against and because they can look forward to growing up with the business if it succeeds. It is difficult to conceive of a more effective way of discouraging new ventures and cutting down the number of small businesses than to force an "industry" into a standardized wage pattern. That is precisely what industry-wide collective bargaining does.

4. It promotes monopoly.

Competition is what keeps big and established businesses young and on their toes. And it is the ever present threat from small businesses that aim to grow bigger and from the new ventures that are continuously springing up which provides an important part of this competition. If the well-established business has to deal with a strong union whereas the small business firm is operating in an area where the cost of living and wages are relatively lower, advantages accrue to the new enterprise.

Organization of the union on an industry-wide basis would eliminate this competitive factor in favor of the big established businesses. In the long run this method of purchasing industrial peace results in complete monopoly. John L. Lewis received plenty of support from the Federal Government in his campaign to organize the Southern Appalachian coal fields. He succeeded and, as a result, one of the most competitive industries in the United States was converted into a monopolistic enterprise and the real power in the combine was turned over to one labor leader and one union.

If industry-wide collective bargaining becomes the rule rather than the exception, the American public must face the prospect of frequent and paralyzing shutdowns which cannot be tolerated and which will prove very difficult for a democratic government to handle. Control of an unadulterated business monopoly is a far simpler matter. Fines and penalties levied against the assets of a business can bring it "to heel." A holder of property rights can be easily disciplined. The same is not true of a union. If ten thousand workers scatter to their homes, it is no easy matter to force them back into the plant.

A local strike is a serious thing for a community but the nation's economic life goes on. Consequently we can afford to be patient if the two sides conclude that a trial of strength is necessary to an equitable settlement. Meantime local public opinion can be counted upon to force a settlement if the welfare of the community as a whole is seriously jeopardized. No such protracted test of strength can be permitted under industry-wide collective bargaining. The interdependence of American industry is too great to allow an entire industry to be closed down for more than a few days. . . .

5. *It promotes cartelization.*

The danger that industry-wide collective bargaining may lead to state socialism is increased because of the fact that this type of bargaining requires a fundamental change in the organization of American business. American business is not as well organized today for this purpose as is American labor. If the new method becomes general the employers within an industry will be obliged to form associations for joint bargaining, as in England. . . .

Finally the jurisdiction of a single union should be limited to the area within which "fiat" equalization of wage rates can be economically justified. This area is quite restricted because of men's unwillingness to move on the basis of small differences in rewards. Under such a limitation unions would be free to support the demands of workers in any *local* plant. Presumably they would not do this unless the local plant failed to live up to locally prevailing standards as to wages, hours, etc. Cooperation at the local level would thus help enforce the sound principle that wages for similar work in local areas should be substantially similar. The unions in local plants should be perfectly free to join together in a local trade union council and to use the services of experienced negotiators which the council could provide. Efforts at the coordination of wage demands by unions in different wage areas should be resolutely repressed, as should the efforts of competitive plants within an industry to agree upon a common price policy. Both efforts should be declared to be contrary to the public interest, branded as collusion and prosecuted under the Anti-Trust Act.

It is not collective bargaining as such but industry-wide collective bargaining that is inconsistent with the individual enterprise system. There is hardly an independent plant in the country that can now

bargain on equal terms with labor if the latter is organized industry-wide. The country simply cannot afford to permit such a concentration of power, particularly in view of the fact that it inevitably begets mergers on the part of management. The prospects that a sound compromise will emerge from the meeting of giants is dubious, to say the least. Recent history supports Hayek's prediction that the two giants will merge their strength in a joint attack on consumers generally via monopoly backed by tariff protection. Far from promoting social justice and international cooperation industry-wide collective bargaining fosters political and economic isolation, domestic regimentation and international conflict.

CLARK KERR
and LLOYD H. FISHER¹

Multiple-Employer Bargaining—The San Francisco Experience

Multiple-employer bargaining has had political advantages and economic disadvantages for organized labor. A trade union is not solely a business enterprise seeking to maximize economic gains. It may have various objects of maximization. In one instance it may be security, in another power or prestige, in yet another the wage rate or the wage bill of the industry or dues payments. A trade union can and does have many ends, and its ends are

from time to time quite separate and distinct from those of its members. The trade union is an institution and develops the means for its own perpetuation and advancement with some inevitable disregard for the accidental characteristics of its members at any given moment of time. It plans in terms of preservation and expansion of the institutional structure, and in this respect at least thinks beyond the immediate wants and demands of the membership. It seeks to "build the union." Substitutability exists not only between wage and non-wage demands, but as between benefits to the union as an institution and to its members as individuals. Union security is something for which a cents per hour equivalent might be arrived at if the relative utilities were measured exclusively by the worker on the job. There is no monetary equivalent to union security for the trade union as an institution.

The employer is not the only threat to the security of a trade union. The trade union may be equally and often more threatened by a rival union. Here is clear evidence of the distinction between a trade union and its members. The threat of a competing union is essentially the danger that the membership or some part of it will prefer to be represented by a different union. The prudent trade union takes precautions against such defections. The problem of security involves the organization of a defense against shifts of sentiment on the part of the membership. In the light of this requirement, the master agreement is an effective device. It offers the trade union in its institutional aspect greater security than the single plant contract.

The National Labor Relations Board is charged with the responsibility for determining the appropriate unit for bargaining purposes and this determines the universe within which the employees vote to

¹ Clark Kerr and Lloyd H. Fisher, "Multiple-Employer Bargaining—The San Francisco Experience," from *Insights into Labor Issues*, edited by R. Lester and J. Shister, copyright 1948 by The Macmillan Company and used with their permission.

select their agent. The history of collective bargaining is among the major determinants of the appropriate unit. A history of bargaining with an employers' association with authority to bind its members to the terms of its agreement is a virtual guarantee that the National Labor Relations Board will designate the multi-plant group as the appropriate unit. This is powerful protection against the incursion of a raiding competitor. When, as in a number of master agreements in the San Francisco area, the bargaining unit consists of in excess of one hundred plants, the task of organization for the rival union is virtually insuperable. It requires simultaneous organizing effort over an area much broader than the ordinary trade union can manage in order to show a majority of the employees of all the plant units voting for new representation. In this institutional security, during a period of intense rival unionism, lies one compelling reason for union support of master agreements in the San Francisco area. Defeats of rival union organizational attempts in the pulp and paper and cannery industries in recent years are large-scale evidences of this principle.

While the master agreement has this previously unsuspected advantage to the established union in a period of organization competition, the new union, as well as the rival union, takes a different view. The new union prefers to organize and gain recognition one plant at a time and industry-wide employer organization makes this more difficult. The dispute in 1946 between the Retail Merchants' Association of Oakland and Berkeley and the Retail Clerks is an illustration. The Merchants' Association contended that the union must get a majority of workers in 30 affiliated stores before it could negotiate for any employees. The Association refused to deal individually with the union,

pointed out that it had master contracts with other unions, and organized support for the two "victim" stores against whom the union was concentrating its attack.

Economic advantage for the union, regardless of its organization position, would seem to lie with the individual contract which permits the application of full union force against single employers. The rapid organization of employers' associations in San Francisco is evidence that the employers, at least, hold this view. The occasional efforts of unions to split off individual employers for separate treatment is further evidence. The strike and job action are more costly and less constantly available weapons against the well-organized employers' association. At the same time, the standardization which results from the master agreement satisfies certain common trade union notions of equity, although there are reasons to believe that unions are at least as much interested in the process of standardization as in the result. Standardization is commonly a process of upward leveling and provides many opportunities for the alert and aggressive union. Once standardization has occurred in San Francisco through the master agreement, several unions have turned their attention to standardizing outlying areas at San Francisco levels using the master agreement there as the base of operations and the basis of argument. Administrative convenience in negotiating and administering the over-all contract also recommends the master agreement to union leadership. . . .

Three general patterns of contracts thus emerge:

- (1) The craft-wide, labor market-wide agreement.
- (2) The industry-wide, product market-wide agreement.
- (3) The union-wide agreement based

on the area of jurisdiction of a union unlimited by customary boundaries.

Job competition is the keynote to the first, product competition to the second, union power to the third. The second and third types are the most common in San Francisco. Some agreements, and those where the area of coverage seems most stable, cover co-extensive labor and product markets, and industries where all or most workers are likewise members of the same craft. The least stable area is that covered by the union-wide agreement for no bounds exist except as determined by the extent and success of the power drive of the union. Economic influences are not sufficient to determine the boundaries. Political rather than economic considerations are controlling. . . .

EFFECT ON WAGE DETERMINATION AND STRIKES

Wage bargaining under master agreements relates to circumstances of all firms jointly bargaining, rather than of the single firm. Reference to the firm's profits, prices, markets and prospects is replaced by reference to the prospects of all firms, each of them having different claims on their income, different levels of efficiency, different labor costs per unit of production, perhaps different products and different markets. How the needs of the individual firm, particularly the marginal firm, may be reconciled with the over-all wage possibilities of the industry has not yet been determined. The problem arises, for the union and association, of where to set the wage in the ascending scale of ability to pay. Particularly is this the case in union-wide master agreements where the member firms produce different articles or services, and labor costs vary from a small to a substantial portion of total costs.

Reference is made principally to wages

of related or comparable, but not necessarily competing groups in the same labor market area, and to wages paid the same occupations in other, non-competing labor market areas. The standard comparison in wage determination with the same type of workers in the same area is not available as a guide. The operation of the labor market, except within very broad limits, has little to do with wage setting. The supply of and demand for the particular occupational group in the same labor market is of relatively little influence except as it sets lower and upper limits to the bargain. The firm and industry adjust to the wage rate, rather than the wage rate being adjusted to the situation of the firm and industry.

The labor market, defined as the geographical area within which persons with fixed residence seek employment, still exists, but it has less and less effect on price. Supply and demand adjust to price, rather than price to supply and demand. Nor does reference to related labor markets return wage determination to an economic basis, because the relatedness of labor markets is increasingly the relatedness of organizations, policies and ideas of equity.

One "seller" of labor faces one buyer of labor. Even if bi-lateral monopoly were shown to have a determinate solution for commodity markets, it would still be indeterminate in labor markets because of the importance of non-economic objectives. In fact, reference to analysis of bi-lateral monopoly may only serve to confuse the situation, since it assumes that the seller is interested in both price and quantity, and in little else, and unions, in the short-run at least, are generally little concerned with quantity. It is more important to inquire how a political body, subject to many pressures, only one of them the volume of employment, fixes a price. This is almost as much a problem in politics as in economics. In order to use profitably

the concept of bilateral monopoly, it is necessary to assume, as Dunlop does, that a trade union acts on the model of a profit rather than a non-profit institution and endeavors to maximize the total wage bill, an assumption which is seldom valid. Its interests usually lie far more with rates than with aggregate sums. . . .

The development of the master agreement in San Francisco has had a decided and determinable effect on labor disputes. . . . Strike statistics do show a comparative decline in number of strikes in San Francisco as compared with Los Angeles and the United States beginning with 1934 when the associational system of collective bargaining began to emerge. The average length of strike, the persons involved per strike, and total man-days

lost per strike have, during the same period, all risen comparatively. Total man-days lost per year have remained relatively even.

Because of the greater organizational strength on both sides, a strike or lockout once started is likely to last a long time and involve many people. Once the cost of such controversies is realized, the parties make greater efforts to settle without resort to strikes or lock-outs. Increased cost leads to increased advance deliberation. Presumably the continued realization of the expense of conflict may, as has been true in Sweden and Great Britain, work to reduce the resort to force still further in the future, so that not only will the number of strikes be reduced but also the over-all man-days lost annually.

UNITED STATES DEPARTMENT OF LABOR ¹

Collective Bargaining with Employer Groups

Table 1. PER CENT OF ALL WORKERS UNDER AGREEMENT WHO ARE COVERED BY AGREEMENTS WITH ASSOCIATIONS AND GROUPS OF EMPLOYERS, BY INDUSTRY

<i>80-100 Per cent</i>	<i>60-79 Per cent</i>	<i>40-59 Per cent</i>	<i>20-39 Per cent</i>
Clothing, men's	Baking	Building service and maintenance	Beverages, nonalcoholic
Clothing, women's	Book and job printing and publishing	Leather products, other	Hosiery
Coal mining	Canning and preserving foods	Newspaper and periodical printing and publishing	Hotels and restaurants
Laundry and cleaning and dyeing	Construction		Jewelry and silverware
Longshoring	Dyeing and finishing textiles		Lumber
Maritime	Glass and glassware		Shoes, cut stock and findings
Shipbuilding and boat building *	Malt liquors		Trade
	Pottery and related products		
	Trucking and warehousing		

* During World War II most of the industry was covered by tripartite zone standard agreements, signed by representatives of unions, employers, and certain government agencies. The principal association agreement other than the zone standard agreements is between Pacific Coast Shipbuilders and the Metal Trades Department of the AFL, covering yards organized by AFL unions.

¹ *Monthly Labor Review*, March, 1947, Vol. 64, No. 3, p. 399.

Table 1 (Continued)

<i>0-19 Per cent</i>	<i>0-19 Per cent</i>	<i>0-19 Per cent</i>	<i>0-19 Per cent</i>
Agricultural machinery and tractors †	theaters, and news-papers	Machinery and machine tools	Railroad equipment †
Aircraft and parts †	Cotton textiles	Meat packing	Rayon and allied products †
Automobiles and parts †	Confectionery products	Metal mining	Rubber products
Bus and streetcar, local †	Crude petroleum and natural gas †	Motorcycles, bicycles, and parts †	Silk and rayon textiles
Bus lines, intercity †	Dairy products	Newspaper offices	Steel, basic †
Carpets and rugs, wool †	Electrical machinery, equipment and appliances	Nonferrous metals and products, except jewelry and silverware	Steel products
Cement †	Flour and other grain products	Paper and pulp	Stone and clay products, other
Chemicals, excluding rayon and allied products †	Furniture	Paper products	Sugar, beet and cane
Clerical and professional, excluding transportation, communication,	Knit goods, except hosiery	Petroleum and coal products, except refining †	Telegraph service and maintenance †
	Leather (tanned, curried and finished)	Petroleum refining †	Telephone service and maintenance †
	Light and power †		Tobacco manufactures
			Woolen and worsted textiles

† Less than half of 1 per cent.

Table 2. AREA OF BARGAINING WITH ASSOCIATIONS OR GROUPS OF EMPLOYERS,
BY INDUSTRY

<i>Bargaining on a national or industry-wide scale</i>	<i>Bargaining by geographic (regional) areas</i>	<i>Bargaining within a city, county, or metropolitan area</i>
Coal mining	Canning and preserving foods *	Baking
Elevator installation and repair	Dyeing and finishing textiles *	Beverages, nonalcoholic
Glass and glassware	Fishing	Book and job printing and publishing
Installation of automatic sprinklers	Hosiery	Building service and maintenance
Pottery and related products	Leather (tanned, curried, and finished) *	Clothing, men's †
Stoves	Longshoring *	Clothing, women's †
Wall paper	Lumber *	Confectionery products
	Maritime	Construction
	Metal mining	Cotton textiles
	Nonferrous metals and products, except jewelry and silverware	Dairy products
	Paper and pulp	Furniture †
	Shoes, cut stock and findings. *	Hotel and restaurant
		Jewelry and silverware
		Knit goods
		Laundry and cleaning and dyeing
		Leather products, other
		Malt liquors
		Meat packing
		Newspaper printing and publishing
		Paper products, except wall paper
		Silk and rayon textiles
		Steel products, except stoves †
		Tobacco
		Trade †
		Trucking and warehousing †

* There also is some bargaining on a city, county, and/or metropolitan area basis.

† There also is some bargaining on a regional and/or industry-wide basis.

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¹ United States Department of Labor, *Union Agreement Provisions*, Bulletin No. 686, 1942, pp. ii-vi.

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Business agent
Joint committees
Negotiating procedure
Written notice of grievance
Time limits for handling grievances
Grievance meetings
Pay status of committeemen
Protections to shop committeemen

ARBITRATION

Arbitration for particular disputes
Permanent arbitration
Cost of arbitration
Referral to arbitration
Protection against delays and deadlocks
Arbitration proceedings
Investigations by arbitrator
Restrictions on arbitrator
Retroactive awards

STRIKES AND LOCK-OUTS

Prohibition of strikes and lock-outs
Penalties for stoppages
Effect of work stoppage on status of agreement
Strikes allowed to enforce agreement or arbitration award
No stoppages until failure of grievance adjustment
Strikes after membership vote
Picket lines
Sympathetic strikes
Jurisdictional strikes
Protection of property

ENFORCEMENT

Monetary fines and penalties
Monetary deposits
Nonmonetary penalties and restrictions
Union responsibility in enforcement
Enforcement by court action

PLANT EFFICIENCY AND TECHNOLOGICAL CHANGE

Union-management cooperation
Enforcement of plant efficiency
Technological changes

APPRENTICES AND LEARNERS:

Apprentices

Restrictions on number of apprentices
Prohibitions against hiring of apprentices
Qualifications for entering apprenticeship
Union membership
Qualifications of employers
Length of apprenticeship period
Discharge of apprentices
Quits
Lay-off
Re-employment
Guaranteed employment
Joint apprenticeship committees
Training on the job
Class-room instruction
Rate of pay
Hours and overtime
Admission to journeyman status
Seniority status

Learners

Requirements for hiring learners
Rates of pay

HEALTH, SAFETY, AND INSURANCE

Physical examinations
Safety and health
Insurance and benefit plans

MISCELLANEOUS PROVISIONS

Working foremen and employers
Changes in plant site or location of employment
Employment of out-of-town workers
Aged, handicapped, and injured workers
Citizenship and race requirements
Child labor

Employment of women

Working rules

Outside activity

Patent rights

Charity and other collections

Personnel records

Identification badges

Availability of agreement

Extension of agreement to additional plants

Extension of agreement to competing firms

Union pledge to organize competitors

Contracting and subcontracting

DURATION AND RENEWAL

Temporary extension of expired agreements

Arbitration of agreement terms

Modifications during life of agreement

EXTENSION OF SCOPE OF THE AGREEMENT

Employer associations

Change of employer's identity

17. The Drive for Security

THE BASIC cause of unions and collective bargaining is frequently defined as insecurity. The fear of unemployment, of working oneself out of a job, the difficulties of living on an unsteady income, the dread of loss of status for men without a job in a working world, the frustrations experienced by those dependent on employers' decisions for the chance to make a living, these lie at the root of the tendency toward collective action. Without acknowledging that such anxiety is the *only* cause of union origin and activity, one can clearly discern its importance in the contents of the trade agreement. Few trade agreements fail to contain arrangements designed to increase security of employment, to control the hiring, firing, layoff, and tenure of workers; and many define the workers' rights in case of minor or major changes in technology. Moreover, the control of unemployment or its relief is a major concern of labor's political interests.

The inclination toward collective action in the face of employment insecurity is not a sign of the decline of individual initiative. That inclination flows naturally from a conscious or unconscious recognition of the social nature of unemployment. The extensive division of labor in modern society places the burden of providing smooth and uninterrupted production and employment on the organizational devices and techniques which co-ordinate the efforts of individuals. While it is true that individual shortcomings or inadequacies may account for the failure of the worker to find a job, responsibility increasingly rests on the ineffectiveness of the co-ordinating devices. Whether these co-ordinating devices are summed up in the organization and technology of a firm or in the self-maintenance system of a whole national or international economy, they are beyond the control of any individual worker. His best efforts at self-improvement and his greatest demonstration of individual initiative are applied only to a part and always a relatively small part of the factors and forces which determine whether or not he has the chance to work and make a living. It would be a sure sign of the decay of individual capacity to face and analyze facts and devise adaptive methods if men, recognizing the social nature of unemployment, did not invent or adopt social means for its control, if they did not supplement individual initiative and effort by collective initiative and effort.

The chapter which discussed the sources of the union movement referred to certain goals or standards of successful living which workers frequently sought to satisfy through collective action. Unemployment impedes their progress toward

every one of those goals. The threat to *creature sufficiency* is so obvious that it need only be mentioned. Few people in America "make a living"; they make money and "buy a living." When the flow of income is irregular or interrupted the process of "buying a living" is immensely complicated.

The *respect of one's fellows* is difficult for the unemployed to achieve even when one's fellows are subjected to and have experienced the same disaster. The socially respected persons in America, among wage earners at least, do not include the "nonworker," whatever the cause of his unemployment.

Many of the psychological effects of unemployment stem from the inconsistency of our traditions and folklore of individual responsibility with the problems of finding and exploiting opportunities for employment in a complex industrial organization. Our traditions and folklore are thus summarized: "Any good man can get and hold a job." The facts of economic life add a big IF: "if the social devices and techniques for distributing and utilizing labor are effective." The lack of income and the consequent inability to provide a living for self and family, the social stigma placed upon nonworkers are bad enough. The frustration in such experiences is immeasurably amplified, however, when the individual must assume guilt for a condition whose dominant cause lies in an ineffective organization of the economic processes of society itself. The facts of unemployment, then, as the individual experiences them, are barriers to his goal of *understanding*. Understanding is normally accomplished by explanations which fit current affairs into the causal relationships set forth in tradition, folklore, and the popular wisdom derived from experience. The heavy emphasis on individualism in these explanations makes them ineffective answers to the question, "Why should I be unemployed?"

The worker faces many frustrations in his desire for an increasing amount of *control* over his own affairs even while employed. Without a job and wages that control is doubly imperiled.

Unemployment is not only an obstacle to *capacity performance*; it is a barrier to any utilization whatever of some of the worker's most important capacities. The barrier extends also into the future as he sees his skills getting rusty through disuse.

The most obvious effect of unemployment is the disintegration of the worker's relations with the world of people and affairs about him. His job, the duties it involves, the associations it makes necessary and possible are the chief bonds which tie him in with a world larger than himself. The experiences of work are extremely important in providing a common basis for contacts with others of his own group. His status and authority not only among his work-mates but within his own family and in the community are established in part by the contribution his skill and income make possible. The threat of unemployment to this desire for *integrity* or *relationship* is well illustrated by the comment of an unemployed mechanic:

"Everybody does some work in this world. You can go as far back as Adam,

and you'll find that they all work some way, with their brains if not with their hands. That's one thing that makes us human; we don't wait for things to happen to us, we work for them. And if you can't find any work to do, you have the feeling that you're not human. You're out of place. You're so different from all the rest of the people around that you think something is wrong with you. I don't care what your job is, you feel a lot more important when you come home at night than if you had been tramping around the streets all day. The next time you see a lot of fellows standing and watching a gang laying a pavement or putting up a house, *just ask yourself how much fun it is to stand and watch other men work.*"

Many experiences of the worker set up obstacles to the realization of one or more of his goals, but unemployment is a barrier to the realization of all of them. It is little wonder that attempts to avoid the consequences of joblessness should be so prominent among the concerns of labor organizations. The anxiety is well summarized by one unemployed worker, who, in conversation with one of the editors, felt he had not been able adequately to express himself. Finally he scribbled on a piece of paper the following, which he identified as a quotation from Wordsworth:

"O ye who at the anvil stand
And strike the sounding blow
And think how hard it is
To work the whole day through
Remember that it's harder still
To have no work to do."

The following selections outline some of the major features of the problem of unemployment as they appear in the workers' experience and highlight some of the reactions which furnish the human drive in union attempts to reduce employment and income insecurity.

E. WIGHT BAKKE¹

The Layoff

The foreman tapped Joseph Torrio on the shoulder as he pulled the switch on his machine. "Clapham wants to see you, Joe."

¹E. Wight Bakke, *The Unemployed Worker*, Yale University Press, New Haven, 1940, pp. 165 f.

"You mean—I'm getting my time, Jim?"

"Just temporary, I hope, and you know what I think of your work, old man. It won't be long—unless—but why worry about it? Clapham will give you the dope."

With a slow step Joe headed for the front office where Clapham, the company's personnel department, was already telling some of his mates what Joe knew to be "the bad news." He sat down on a bench in the outer office. His turn had come!

Here he was an eighteen-year man. Others had been laid off one by one, but he had thought his job was safe. Why, he had been a foreman on the night shift during the war, and now Clapham was going to tell him the bad news! It wouldn't be easy for Clapham, for in spite of the fact that the workers dubbed the personnel department, "the worse-n-hell department," Clapham was a good egg. He knew most of the men by sight if not by name.

"Torrio," called the office boy.

As he walked out the front gate he could hardly remember what Clapham had said. He had been thinking his own thoughts. A phrase or two penetrated his preoccupation. "Tough break . . . no new orders . . . maybe only a short time . . . but better look around, no telling when . . . call you if things pick up."

This was not the first time he had been laid off, but this time the ugly rumors that "the company was slipping," that "the whole damned country is on the rocks," had created a fear he had not felt before. He'd lay off a couple of weeks—he deserved a vacation after eight years of steady work. But if he didn't get called back in that time, he'd start hunting another job.

HERMAN FELDMAN¹

Insecurity: The Wage Earners' Nemesis

It is significant that while publicists, statesmen, and economists have long vied with one another in pointing out the benefits derived by the masses from the mod-

ern industrial system, practically none in recent decades have maintained that it affords increasing security of employment. Even when the defense of the present order has been at issue, they have hesitated to take the stand that there has been substantial headway in reducing for the ordinary wage earner the insecurity of his economic life. It is only with the passage of social legislation abroad and of the Social Security Act that some sort of defense has been offered.

It is not merely that there has been more unemployment, because, as emphasized here, there is an important distinction between insecurity in employment and actual loss of a job. A man may never be unemployed, and yet the frequent anticipations of the occurrence cloud his whole existence. Figures of unemployment are in one respect like accident statistics. They merely record the number of employees actually injured, not the many employees exposed to the same danger who managed to escape. The worker insecure in his job is like the one forced to labor in a factory which, at any moment, may be set off by an explosion.

As the number of persons living in fear of unemployment is at all times larger than the number who are without a job, a study of insecurity of employment is a broader study than that of unemployment. What is more important, an analysis of the causes shows that not one or a few but many factors operate in a given company or situation to create an unnecessary or remediable feeling of uncertainty. In some cases not large reforms but purely local rearrangements and reassurances may be the remedy.

One can moralize that an employee who for years has experienced the irregularities of his trade should learn to balance his budget, but the fact is that a large proportion of the workers do not. Many are incapable of doing so. Such behavior is

¹ Herman Feldman, *Stabilizing Jobs and Wages*, copyright 1940 by Harper & Brothers, New York, and used with their permission, pp. 1-2, 8-11.

not characteristic of wage earners alone but of people generally. Many colleges have changed from the ten-payment plan of paying salaries to the twelve-month basis in order to avoid embarrassment for a substantial part of the faculty who habitually found themselves out of funds in summer. How, then, expect wage earners with irregular incomes to budget their expenditures evenly over the seasons and the years? In its narrow phases the evil levies its cost on tradespeople, relatives, taxpayers, and contributors to charitable organizations. Studies made of the income and expenditures of the unemployed have shown statistically that certain elements in the community bear a double, if not triple, burden in periods of hard times—landlords in their involuntary contributions through unpaid rent, the doctor and the grocer in unpaid bills, friends and relatives in contributing to people's support, and wage earners in the sharing of their earnings through spread work. . . .

More frequent accidents and ill health are also the lot of workers irregularly employed. In one company's investigation it was discovered that the ratio among new employees was one accident to each person hired, while the ratio of accidents to the whole number of employees was only one to every four. In certain trades the irregular worker is exposed to a much greater risk of ill health than the one who is allowed to become adjusted to a particular environment. Thus a granite worker may lose the adaptation of the respiratory tract to dust inhalation, so that each resumption of work irritates the throat until adjustment is again acquired. It is during this period that tuberculosis is most likely to be superimposed, so that it is not granite dust which is the sole cause then but the discontinuous nature of the work.

The relation of irregularity of employment to health is further to be considered by reference to the effect of anxiety on

every bodily activity and on individual and family morale. The record of this may be read, in part, in the swollen figures of divorces, runaways, misdemeanors, crimes, suicides and other acts of desperation and lawlessness by all classes of people following periods of depression.

The insecurity of the worker significantly affects his attitude toward his work and his employer. When a job gives out from time to time, a sense of self-preservation makes the worker reluctant to hasten through the available production. This slackening of effort often is unconscious and elusive, but it is not difficult to sense its existence. It is a fellow feeling of the workers, existing independently of union organization, which may or may not involve a formal understanding.

Discontinuity of work impairs a laborer's skill even when his intentions are of the best. What would be the efficiency of the members of an athletic team if they did not practice regularly? Numbness of fingers and the condition of the muscles play a similar part in the efficiency of workers. An employee who knows his tenure is likely to be short is less careful of tools, harder on the machines he operates, more wasteful of materials. Or there may be loss of the worker altogether. A highly capable craftsman given discontinuous work may get discouraged in its possibilities and leave the trade—one of the explanations of the shortage of skilled labor experienced after a period of depression. The loss of trained employees makes it necessary to hire new people, involving a whole chain of costs which could be avoided if the workers were not forced to change so much.

The absurd situation with regard to the productivity of labor may best be observed in seasonal industries. The peculiar cycle of attitude and efficiency occurring twice every year in certain trades may be summarized as follows:

CONDITION OF TRADE

1. Slack time
2. Beginning of season
3. Midseason
4. Slack season approaching

PRODUCTIVITY OF THE WORKER

Unemployed; no production
 Efficiency impaired because some of the best workers are unavailable and the rest out of practice; subnormal production.
 Efficiency at highest point; maximum production.
 Efficiency inhibited by fear of unemployment and by social pressure; restricted production.

Today, when cooperative employee relations are of such great importance, stability of employment is necessary to generate mutual confidence. Temporary employees can have little attachment to a firm where they happen to be at work. The employer who understands his problems of plant and worker efficiency can find many practical reasons for attempting to reduce the factors of instability which are within his individual control.

this, there is always a fear prominent in the mind of him who thinks of the future that it may not continue; that to-morrow may see him out of employment, his nicely-arranged matters for domestic comfort overthrown, and his hopes of being able, in a few years, by constant attention and frugality to occupy a more permanent position, proved only to be a dream. How much is contained in that word 'continuance,' and how necessary to make it a leading principle of our society!" . . .

SIDNEY and BEATRICE WEBB:

Continuity of Employment

. . . A Standard Rate, a Normal Day, and safe and healthy conditions of work are of no avail if there is no work to be got. "We are willing to admit," said the Engineers of 1851, and the Cloggers of 1872, "that whilst in constant employment our members may be able to obtain the necessities of life. Notwithstanding all

We touch here the "dead point" in our analysis of Trade Union Regulations. In spite of the vital importance of the question to men dependent on weekly wages for their whole livelihood, no Trade Union has hitherto devised a regulation which secures continuity of livelihood as a condition of employment.

At first sight it would seem as if the best way to obtain Continuity of Employment would be to require the employer, as a condition of getting the workman's service at all, to enter into a contract of hiring for a specified long term. This is not the course which the Trade Unionists have followed. Engagements for long terms were once common in many trades, and farm-servants in some parts of the country are still engaged for the year. But the mobility and vicissitudes which char-

¹ Sidney and Beatrice Webb, *Industrial Democracy*, 1920 ed., reprinted by permission of the executors of the late Lord Passfield, Longmans, Green and Company, Ltd., London, 1926, pp. 430-32.

acterise modern industry are hostile to such permanence, and employers have come to prefer the shortest possible engagements, often insisting on freedom to discharge their operatives at a few hours' notice.

This tendency, far from being resisted by the Trade Unions, has invariably been encouraged by them. . . .

This policy needs no explanation for any one who understands the Trade Union position. The "yearly bond" or annual hiring always meant, in practice, the conclusion of a separate agreement between the employer and each individual workman, and especially when the various terms of service did not expire on a uniform date, was incompatible with Collective Bargaining. Moreover, once the agreement was entered into, the wage-earner found himself, at any rate for the specified term of notice, practically at the mercy of the employer's interpretation of the conditions. The wage contract seldom contains express stipulations with regard to any other points than the amount of remuneration, and perhaps the hours of labor, and it is always implied that the wage-earner binds himself to obey all lawful and reasonable commands of his "master." It is in the wage-earner's power to throw up his job when he likes that his status differs most essentially from that of a slave, and if he foregoes this power, and binds himself for a long term to put up with practically whatever conditions, outside those expressly stipulated for, the employer may choose to impose, it is obvious that the Trade Union loses all power of protecting him against economic oppression. The briefest possible term of service, terminable at a day or a week's notice on either side, has accordingly come to be preferred, for different reasons, by both employers and Trade Unionists.

SUMNER SLICHTER¹

Interest in Job Security

The growing interest in job security is partly a result of long term trends in the American labor market and partly a result of the depression. Until 1920, the American labor market was a market of movement, in which the behavior of men was dominated by the idea of opportunity—a market in which there was a considerable number of men ready to give up one job in the hope of getting a better one. Before the war, separations averaged about 100 per cent of the average working force per year and over two-thirds of these were resignations. Throughout the twenties, personnel administration endeavored to promote the idea of continuous service. By 1929, the median separation rate in manufacturing industries was about 50 per cent a year. In a market of diminishing movement, and therefore diminishing hiring, a man once displaced has trouble in quickly finding a suitable opening. In such a market layoffs become matters of vital concern, and employees fight hard to keep their jobs.

The depression, quite naturally, had greatly increased interest in job security. This is reflected in the lower resignation rate which, in 1929, seems to have been in excess of 30 per cent per year among factory workers and in 1936 and 1937 below 15 per cent. The drop in the resignation rate has compelled an increase in layoffs because employers have been less and less able to rely upon resignations to produce adjustments in the size of the working force. For example, although the year 1936 was one of expanding employment, the layoff rate in manufacturing

¹ Sumner Slichter, *Union Policies and Industrial Management*, The Brookings Institution, Washington, D. C., 1941, pp. 100-01.

seems to have been 50 per cent greater than in 1929, a year in which employment did not expand. With the interest in job security growing and the layoff rate increasing, it is not surprising that unions are paying more and more attention to the regulation of layoffs.

PHILIP MURRAY¹

Technological Unemployment Is Real

I know of nothing that is more contemptible in public life than for industrial leaders to issue pronouncements that the workers they are throwing on the streets—workers they are displacing with new machinery—will some day be reabsorbed by private industry somewhere. This callous attitude toward human suffering is the cause of social upheavals, of the destruction of democracy that may trail in the wake of technology unless the people vested with the control of technology are made to assume adequate social responsibility for its consequences.

Classical economic pronouncements about the automatic reabsorptions of displaced workers by private industry, whether true in the long run or not, are just so much dribble to the men and women who are deprived of their accustomed way of making a livelihood. These pronouncements can be classified with the myths of the nineteen twenties that no intelligent person can have faith in today, in view of the striking failure of our economy in the last ten years to reabsorb the victims of technology. Something

more than pronouncements of economic theory—in this instance, demonstrated fallacious—is needed.

I join with Mr. Edward R. Stettinius, Chairman of the Board of the United States Steel Corporation, in the idea he expressed in his lecture, "Human Factors in Economic Progress":

"When a whole community can stumble into despair with the stoppage of a single payroll, it is self-evident that industry has far-reaching social implications which should be matched by an equal sense of social responsibility. It is no exaggeration to say that one of the most important functions of business administration, on the large scale, is the social function. Having helped to create the modern society, the business man will not be excused from the duty of coping with its problems."

One of these problems of modern society is the displacement of workers by technology. I invite the leaders of industry to cope with it, to put the idea expressed by Mr. Stettinius about industry's social responsibilities into practice.

I will not be sidetracked in my efforts to prevent technology from casting workers out of our economic machinery, by engaging in any debate on whether these workers will or will not find other jobs five, ten, or twenty years hence. As a famous economist once said, in the long run we are all dead. The problem of the victims of technology is an immediate one. I say to the leaders of industry to keep your economic theories in textbooks. So far as the workers of this great nation are concerned, they want to know only one thing. When do they get jobs? When are they going to be protected from losing their jobs every time a new contraption or a new invention is discovered? When are their children, the youth of this nation, who are roaming the streets today, going to get jobs? This is the question. This is

¹ Philip Murray, *Technological Unemployment*, Steel Workers Organizing Committee, Publication No. 3, April 1940, pp. 35-40.

the big problem of today. And I agree heartily with Mr. Stettinius when he says, "Having helped to create the modern society, the business man will not be excused from the duty of coping with its problems."

Here is the twofold problem of technological displacement and unemployment. Businessmen, leaders of industry, have to cope with it. The code of social responsibility for industry must be enlarged. Two decades ago industry assumed social responsibility through workmen's compensation for the workers injured in mines, mills, and factories, and for the families of workers killed on the job. In the past decade industry has assumed some measure of social responsibility for workers who are too old to work, and for workers who are seasonally unemployed through old age pensions and unemployment compensation. In this decade another social responsibility must be assumed by industry. This responsibility is to workers who are technologically unemployed, thrown out of work by new machinery.

NATIONAL ASSOCIATION OF MANUFACTURERS¹

Fallacy—That Technological Improvements Create Unemployment

Machines, inventions and technological improvements bring increased income, a higher standard of living, and greater leisure for workers. In countries where modern machinery still is unknown or rare we find the deplorable combination

of cheap labor, a pitifully low standard of living, long arduous hours—conditions of work which we in this country left behind many decades ago.

Critics of the machine concede apparently that inventions and technological improvements were a great boon to us for more than a century. But these same critics say that improvements in technology and science since 1929 have been so far-reaching and so swift that men have been displaced permanently by machines. . . . Those who would halt the progress of invention and discovery refuse to realize that such a course means economic stagnation—a deterioration of the standard of living for the whole population.

Ever since the invention of the steam engine, science and engineering and technical skill have added new items to the long and unending list of goods and services produced by industry. Two things have resulted: an infinitely greater volume of improved goods and services for all, and millions of new jobs.

In the sixty years from 1870 to 1930, the population of the United States increased more than three times. This period saw the greatest technological advance ever experienced. If the criticism made of technology has any validity, and machines have been responsible for permanent displacement of workers, we would expect to find that the proportion of the population employed in 1930 was smaller than in 1870. Actually, the individuals engaged in gainful occupations constituted 39.8 per cent of the population in 1930, as against 33.5 per cent in 1870. This increase in the volume of workers took place in spite of an almost total disappearance of child labor in manufacturing industries.

Technological advances have played an important part in shifting workers from one occupation to another. Of this there can be no doubt. During certain periods,

¹ Committee on Study of Depression, *Fallacies*, National Association of Manufacturers, New York, January, 1941, pp. 15-20.

and in particular industries, workers are displaced temporarily, which is the condition referred to commonly when the term "technological unemployment" is used. Industry's genuine concern about the problem of this temporary displacement caused by machine installation is expressed in the following statement from the "Declaration of Principles" adopted at the 1939 Congress of American Industry:

"Industrial managers should give full consideration to the immediate, as well as the long range, effects upon the interests of the consumer, the employee and the investor of any improved technology that may be contemplated. An immediate consequence of the more effective use of tools may be to displace labor in the particular enterprise in which it occurs and industrial management should use every reasonable effort to cushion such temporary effects of technological advance. Experience in America has shown, however, that although unemployment resulting from this cause is sometimes of serious consequence to the individual employee, the final result is increased total employment, with ultimate benefit to all. Reduction in production costs and in prices bring an increased capacity to enjoy the goods produced, which, by ultimate cumulative effect, greatly expands the demand for the products of all labor and hence opens up new opportunities for employment."

The National Association of Manufacturers has recommended to employers that:

"When new processes or machinery are introduced employers should consider the effects of their introduction on employment; should train the workers affected for other work in the plant; if termination of their employment is absolutely necessary, should give as much advance notice as possible, and should provide, where practicable, a dismissal compensation re-

lated to length of previous service and age."

Technological unemployment, however, is usually temporary and it is of shortest duration when general business is operating normally. Experience shows us that in the long run technological advance opens up new opportunities for workers, not only in manufacturing, but in many other occupations as well. In 1900, for example, one million persons had jobs in some way related to the horse and buggy, but in 1938, 6,380,000 persons were engaged in making, selling and servicing automobiles, which replaced horses and buggies. Here is an industry that has been most conspicuous in technological advance and yet it has not destroyed jobs, but created them in many fields. This illustration can be multiplied many times over in different industries.

In spite of the charge that mechanization has reduced the number of workers in manufacturing, the record shows that the proportion of workers in manufacturing industries to the total workers has remained almost constant. Manufacturing accounted for 22.2 per cent of all the workers in 1900; 23.1 per cent in 1929; and 22.6 per cent in 1939. On the other hand, in 1900 only 14.4 per cent of the population were engaged in the so-called service industries, while in 1929 there were 18.8 per cent, and in 1939, 21.5 per cent. It should be emphasized that these latter service industries are made possible or depend on technological advances in manufacturing. An example of this is the development of the automotive industry which created jobs for more than a million service station attendants, garage repair men and taxicab and truck drivers.

Not only has there been an increase in the number of people engaged in manufacturing, but there has also been a parallel increase in the proportion of our popu-

lation engaged in other industries connected with the distribution of goods and the furnishing of all the varied services offered consumers today. Here is just one example. When the typewriter and adding machines were invented, many people thought that clerical and office workers would be thrown out of work. As a matter of fact, business machines of all kinds have greatly increased the number of clerical workers because they have made possible a more accurate system of records, more adequate methods of filing, and have added enormously to the efficiency of accounting, recording and general office procedure.

Machines and labor saving devices have done much more than make jobs. They have given workers the time to enjoy the vast number of services and commodities made available. In 1900 the average worker in the manufacturing industry spent 59 hours per week in the plant. Today he spends 40 hours or less. Not only do employees now receive greater income for their work, but they have the leisure time to avail themselves of the increased varieties of products resulting from technological improvements.

We could go on endlessly giving example after example of the innumerable benefits our society has reaped directly from technology. To attempt to solve the problem of unemployment by stopping the forward march of science would be an irreparable error. What is needed is to recognize and remove the factors which contribute to conditions that have kept business at low levels. It is essential that economic policies be adopted that will actively encourage and make possible the development of new industries, and that will stimulate private spending for the replacement and improvement of existing plants and equipment. Such a course would release pent up capital, build new

enterprises, create more jobs and enable industry to absorb an ever-increasing number of workers.

SAMUEL GOMPERS¹

Trade Unions and the Machine

I remember working in one of the large shops in New York City, and when we were fairly well organized as trade unionism was then understood, the question of molds was before the union. In the old Turner Hall in Orchard Street, New York, the members divided as to those who would favor a strike against the molds and those who would favor molds. And I remember going with a crowd of the boys who voted to strike against the introduction of the molds if an attempt was made to introduce them. And I remember the time when, as a result of that vote, Conrad Kuhn, president of that organization, came to our shop and said, as he did to other shops: "This shop is on strike," and not a mother's son of us remained in the shop a minute after. We struck, and it was a hard struggle; we lost and the molds were introduced.

I am free to say that from that time there came some light to my mind, and I realized then for the first time that it was absolutely futile for workmen to protest against or go on strike against the introduction of a new machine, a new device or a new tool.

In the old time when the cotton spinning jenny was introduced and the machine put into the textile plants the men in the industry, outraged at seeing their

¹ Samuel Gompers, "Accept the Machine—Organize the Workers," *American Federationist*, September, 1923, pp. 719-21.

trade taken away from them, a trade they had to serve several years to acquire, destroyed the machine. Was the machine destroyed? Yes, but was the idea destroyed? No. The blue prints were in existence for that machine, and in any event the scheme and the plan was in the mind of someone who had burned the midnight oil. The machines in the textile industry became universal in every modern country.

The conditions of the textile workers are not what they ought to be by any means, but were the conditions of old, when the men worked by hand, better than those that now prevail? By no means. The hours of labor were from sun up to sun down, and as soon as artificial light was discovered the men and women and children worked from early morning until late at night, until organization took place among them and reduced their hours of labor from sixteen to twelve, to ten, to nine, and in many instances to eight, and their whole condition has improved. . . .

Delegate Hilfers referred to the glass bottle blowers. He gave a graphic description of what occurred. That organization has dwindled, but in addition it has made every automatic bottle blowing machine operator, every man who operates one of those machines a mortal enemy of the organization. . . .

The water carriers of Egypt protested when pipe lines were being laid to carry water to some central parts of the cities because it did away with their trade of carrying water. The rickshaw runners of China raised a revolution because horses were put to wagons to carry people. In some of our cities hack drivers protested against the erection of railroad stations near the cities because it took away their jobs.

Some years ago I had occasion to travel in the southern states, and there I saw in the middle of the rivers colored men who were dredging with buckets and long

poles. They were getting 20 and 30 cents a day. Wherever men are cheap no machinery is used in industry or any other way. It is only when men are dear and wages are high that machinery is brought in.

The Typographical Union has been mentioned. I had the great pleasure of having the opportunity to meet with the late William B. Prescott, then president of the International Typographical Union. . . . With his courageous spirit he went before the people and pleaded with them to recognize the Mergenthaler machine, and instead of what would have occurred, that girls running typewriting machines would operate the Mergenthaler typesetting machine, it was the printer that was given a chance to learn the trade over again. What has been the result? Wages higher in the printing trades, hours of labor lower, the eight-hour day prevailing in the industry, and on the newspapers the 44-hour week, and the International Typographical Union, to secure the 44-hour week for the printers in the book and job trade has expended more than \$15,000,000. And it has more members and more money in its treasury than before the strike took place.

The garment workers sewed with the needle, and then there was a riot and a revolt when the sewing machine came in. There are now many tailors who do nothing but make fine clothes by hand sewing. But what has happened to the men in the garment industry? Working, instead of in the old-time sweatshop, in sanitary factories, working not more than eight hours a day, working not more than 44 hours a week, and a better organization than ever obtained in their history.

The miners of old worked with the pick and shovel, and they were slaves in the mines. From miserable conditions, slavish conditions, electrical power has been employed and the men are earning more wages, working shorter hours, not

because they opposed the machine, but because they accepted it.

The shoe workers, the old cobblers that made shoes before the time of many of you, worked long hours and for a mere pittance. The modern shoe industry requires about 64 operations, 64 different people to do certain parts of it before the shoe is completed.

I don't want anyone to infer from what I have said that I am content with the conditions those men enjoy. There isn't anything in this world or beyond it that I do not want the workers of America to have. . . .

I ask any delegate in this convention whether he knows of any trade where the union has recognized the machine or improved tool where the conditions of the working people were made worse. It is not in the order of nature and of things. The better we organize the more thoroughly will we be in a position to defend, not only that which we have, but to move onward and forward for the things which ought to be ours and which we can obtain.

H. W. SINGER ¹

Different Types of Unemployment

H. W. Singer, a British economist, is serving on the staff of the United Nations.

A very famous man once said that in the field of human thinking and of human action there is only one general conclusion, namely that there is no general conclusion. There is a deep truth in that. It is important to realise, as far as the eco-

nomie side of unemployment is concerned that there is no "Unemployment" which can be accounted for by a single cause, and which can be cured by a single policy, but that there are only "Unemployments," that is to say, many different kinds of unemployment with very different causes, with very different effects, and with very different cures.

We shall confine ourselves to a short glance at only sixteen different "Unemployments" which seem to be the more important ones at the moment. They can be very conveniently parceled out in four classes with four "Unemployments" each.

The first class of Unemployment has the common feature that the main causation must be looked for in the conditions of production. The first "Unemployment" within that class can be described as an *interruption* of the normal process of production. The normal process of production consists of a flow of raw materials into the factories and the flow of goods out of the factory, and the goods going out of one factory are in their turn the raw material of another factory. Whenever there is an interruption of this normal process because there is, for instance, a temporary scarcity of one raw material (for instance, in a year of bad cotton yields), or because the raw material supply is stopped because of shipping difficulties or war or an abnormal demand from other sources, or because of import restrictions, or by fire in the factory, or from any other reason, the resulting unemployment is not likely to be isolated but it will spread to those other factories which now in turn see their normal process interrupted. Unemployment of this kind is likely to be temporary in character, but some sorts of it may be prolonged for quite a long time.

The second "Unemployment" is due, not to an interruption of the normal process but to a normal seasonal slackness of that process. For instance, coalminers will

¹ H. W. Singer, *Unemployment and the Unemployed*, Staples Press, London, 1940, pp. 59-68.

be laid off in summer when there is a seasonal slackness in the demand for household coal, builders will be laid off in winter and in wet periods, ice-cream men will be laid off in cold periods! Whenever there is a seasonal up and down in the demand of a trade the capacity of that trade will be adapted to the demand for the busy season and there will be unemployment in the slack season.

The third "Unemployment" in this class of "Unemployments" due to the conditions of production lies in the technical changes that have occurred in production and which result in the same output being done by a smaller number of men. This "technological unemployment," as it is often called by economists, plays a very important part at the moment. There are two main reasons for this. The first is that by the "cheap-money" policy the introduction of new ways of producing things which require much capital has been encouraged. The second reason is that important trades are now for the first time faced with a real decline. The industrialists in these trades try to get out of that awkward position of being in a shrinking trade by trying to depress their costs to the lowest possible figure, and so we find that technical progress is often most rapidly applied in the contracting trades. A very good example of this is coal-mining, where the introduction of coal-cutting machinery and mechanical conveyor belts was speeded up in an attempt to arrest the decline in the industry. As a result of this, the output per shift has risen a good deal in recent years and much of the present unemployment among coal-miners is "technological" in character—that is, many of the present unemployed coal-miners would be employed if the same number of tons of coals were being produced with the methods of, say, ten years ago. We would like to draw attention to the careful wording of this last sentence, because much looser statements are often made in

meetings or books on this "technological" unemployment. We can only say that the number of coal-miners unemployed is higher than it would be if the present production of the coal-mines were carried out with earlier, less mechanised methods. We can *not* say that *total* unemployment would be lower if this labour-saving machinery had not been introduced, because this process of mechanisation, even when it puts coal-miners out of work, creates at the same time employment in the engineering and related trades which may be more than the unemployment among the coal-miners. We cannot even say that the unemployment among coal-miners is higher owing to mechanisation than it would be had this mechanisation not occurred. For it may surely be that without this mechanisation and the resulting decrease in cost and prices, production would be very much lower than it is at present, and therefore, the employment offered in coal-mining itself might be lower than it is now. To put the same thing in other words, new machines tend to put people out of jobs in so far as they reduce the number of people required to produce the same amount of commodities as before. But on the other hand, in so far as they result in a fall of price, they tend to put people into jobs because more goods will be demanded at the lower price. There is no general rule whether the net effect will be to put more people out of jobs or put them into jobs. But in spite of this need for caution, there is no doubt that much of the present unemployment belongs to this third type.

The fourth and last "Unemployment" in this class is the one due to an artificial restriction of production with the purpose of keeping prices up, and in this way increasing profits not by offering valuable goods but by creating artificial scarcities. This type of unemployment has greatly increased in recent years as producers have more and more found out that the crea-

tion of artificial scarcities is a safer and easier way to profits than thinking of new ways of offering valuable goods. There are very few industries nowadays free from such artificial restriction of production, and much of it has been directly or indirectly encouraged by the State; particularly the Tariff policy has been used as a shield behind which producers have settled down to living on artificially created scarcities. This is a not less despicable, although less often mentioned, attitude than that of "living on the dole." This fourth "Unemployment," and the fact that a policy of tariff protection for home industries has contributed to it, illustrates the importance of distinguishing the different Unemployments as far as the question of cures for Unemployment is concerned.

The next bundle of four "Unemployments" consists of those unemployments that have their causes in conditions of demand (not of production). Among these the first case is that of a change in the habits and tastes of consumers. When people cease to an increasing extent to wear hats, there will be unemployment among hatters not because their labour has become obsolete in the production of hats (as is the case with technological unemployment), but because hats have become obsolete. It is safe to say that this unemployment has also had a rising tendency in recent years because the habits and tastes of consumers are now changing at a faster rate and are less stable than they used to be before the 1914 War.

The second "Unemployment" in this batch is due to a change in the structure of the population. For instance, the most marked change in the structure of the population, as most people are aware by now, is the decline of the birth rate and the number of children. As a consequence, the demand for perambulators is decreasing and although that may to some extent be cancelled by the fact that people can

afford to get a better perambulator when they have a small family, there is no doubt that unemployment does actually arise from these and similar changes. In this case the unemployment is not due to a change in tastes or habits. Children do not develop a sudden dislike for perambulators nor do their mothers abandon the habit of pushing them about in perambulators, but it is simply the size of the actual market that is shrinking because of these changes, as a decline in the birth rate will gradually transmit itself to the adult population and result in the shrinkage of some adult markets as well. This second "Unemployment"—which was the sixth altogether—will become increasingly important in the future.

The third of this batch is one of the most important individual "Unemployments." It is the persistent decline of total demand in nearly all markets that is noticeable in times of shrinking incomes. These shrinking incomes tend to be periodically produced by some adverse circumstance (often in the monetary field), cutting off a previous expansion of incomes, with the result that the whole system is suddenly put into reverse gear and the shrinkage of income and demand tends to be general and progressive. This type of unemployment is known to economists as "cyclical" unemployment, and in times of severe depression, as in 1930 to 1933, it accounts for a considerable part of the total unemployment. As to a cure for this particular unemployment opinions differ sharply among economists no less than among other ordinary people. Some advocate lavish public expenditure on Work Schemes, others are for vigorous public economy. Some are in favor of the encouragement of spending and the discouragement of saving, and others think it ought to be the other way round.

The last and fourth "Unemployment" in this second batch is the unemployment arising from the changes of demand in the

international field. This is a fall in demand which is neither due to a change in tastes, nor is it due to a shrinkage of the market, nor is it due to a state of trade depression, but it is due to a change in the source of supply. Instead of buying from America the goods are either home-produced or imported from other countries which have, for one reason or other, succeeded in driving American goods out of certain markets.

The third class of "Unemployments" is the one accounted for by conditions of the supply of labour. The four "Unemployments" in this class are: first of all, the misfit, that means the composition of the labour force as to trade and age disagrees with the composition of the jobs that are being offered. The second "Unemployment" arises from the lack of mobility of labour from one place to another. The third "Unemployment" of this group is industrial inefficiency of individual men, which makes it not worth while for an employer to employ them at the standard wage, and their employment at wages below the standard may be barred either by Trade Union fixation of wages or by the refusal of the individual worker to accept a wage below standard. And finally, within this group just as we have found among the first group, unemployment due to an artificial restriction in production, that is, in the supply of goods, so we find now as in the group of "Unemployments" due to conditions in the supply of labour, unemployment due to an artificial increase of its price. This happens where Trade Unions fix unreasonably high wages and have the power to maintain them and where they obstinately resist any attempt at an increase in the numbers of a certain group of workers—which may be very badly needed, and the necessary condition of a general expansion—as an attempt at "dilution." Trade Unions and employers nearly always disagree about what is a

trade, and when therefore, the Trade Union demands begin to be "unreasonable," employers are induced to restrict their activities. The peculiar feature of this unemployment—which is the twelfth altogether—is that it is going up when total unemployment is going down. This is because Trade Unions will be more tempted to fix unreasonably high wages and they will also be in a better position to force these wages on the industry when general unemployment is low and there is a keen demand for labour; and the problem of "dilution" does not crop up at all unless there is a keen demand for labour in a certain trade and the unemployment in it is pretty low.

Finally, the fourth and last class of "Unemployments" is the one where unemployment is due to administrative reasons, that is, where the present unemployment is due to the system of unemployment administration itself. It is characteristic of this class of unemployment that it is often more "statistical" than real in nature, and in many countries this sort of unemployment would not appear at all in the unemployment statistics.

The first unemployment we find in this class is the one due to the fact that employment is not able to improve upon, or even to equal, the standard of living provided by the Social Service and Unemployment Relief system.

The second type of unemployment in this class is that of purely "statistical" unemployment. A good example of this is the "dead file." It will surprise many that the unemployment total in every month contains actually a number of people who are no longer living!

Then there is the fact that registration at an Employment Exchange, which is the basis for counting a man as unemployed [in England] is connected with definite advantages for a man, such as the rights to certain kinds of Public Assistance.

class—and it is no less than the sixteenth “Unemployment” altogether—is the one due to the fact that the existence of an Unemployment Insurance system may induce an employer to have his men alternately working full time and thrown on the Insurance scheme rather than spread work and keep his men on although in part-time employment or in under-employment (as in the cotton trade). The employer may do this out of consideration for his men, because in this way their average income over the year may be higher than if they had been in part-time employment. But if he kept them in part-time employment all the year round there would be no unemployment registered and therefore this particu-

lar unemployment is created by the existence of the Insurance Scheme itself.

It is clear how varied and manifold the different “Unemployments” are, how little they often have in common, how different and often contradictory the cures are, that seem to be indicated by each different “Unemployment,” how misleading the unemployment total is, which lumps together things that are quite different, adding them up as though they were the same. We should really use the word “Unemployment” much more seldom than we are fond of doing and we should speak much more of the various “Unemployments,” keeping the deep distinctions between the different types of unemployment always in mind.

FORTUNE SURVEY¹

Security First

	Total	Professionals, executives	Salaried employees	Factory workers	Union members
A job which pays quite a low income but which you are sure of keeping	48.2%	25.5%	42.3%	59.9%	56.0%
A job which pays a good income but which you have a fifty-fifty chance of losing	22.8	32.0	27.3	20.9	23.7
A job which pays an extremely high income if you make the grade but in which you lose almost everything if you don't make it	23.8	35.5	26.8	16.9	17.8
Don't know	5.2	7.0	3.6	2.3	2.5

Question: (Asked of men only) Here are three different kinds of jobs. If you had your choice, which would you pick?

¹ From the *Fortune* Survey of Public Opinion; reprinted from the January 1947 issue of *Fortune* by special permission of the editors, p. 10.

Caution increases with age but some 40 per cent of the country's youth would welcome a secure job despite low income. There is fresh proof that those who have the least to lose in the way of money and position are the most hesitant to venture

the little they have: 62 per cent of the very poor, 69 per cent of Negroes, want steady jobs; 46 per cent of the prosperous would gamble almost everything for a high income.

When married women were asked which type of job they would prefer their husbands to have, their responses shattered the traditional American picture of the "little woman" prodding her man up the ladder of success. Sixty-four per cent of the wives would want their husbands to take shelter in secure, low-paying jobs, as compared with 44 per cent of the bachelors and 50 per cent of the married men who would put security first.

WHITING WILLIAMS¹

Whiting Williams (1878-) is an American industrialist who decided to investigate industrial relations firsthand in the United States and Europe by assuming the role of a worker. His work brought a note of reality into the study of the motives of workers.

¹ Whiting Williams, *Mainsprings of Men*, copyright 1925 by Charles Scribner's Sons, New York, pp. 71-72.

Job Property Rights

Now nothing is more essential to an understanding of the worker's hankerings than this: to him the job represents much the same type of liberties, assurances, and acknowledgments which wider-margined folk obtain, or hope to obtain, from more material forms of property.

To enjoy the property of his job—to partake of all the individual and social recognitions which can come from it in the way of opportunity and security—here is the very kernel of the worker's heart's-bottom wish of his work. To obtain the maximum of freedom for showing what manner of man he is by the nature of his handiwork, and to enjoy the maximum of certainty and permanency in the satisfactions of the status and recognition which his craftsmanship has obtained for him—this is the requirement which he puts daily upon himself and so upon his method of earning his family's daily bread. This requirement it is that creates that awful gap between those proud possessors of the job who, with heads erect, dinner-pails a-swinging, came out through the great factory-gates, and the unpropertied vagrants who stood a-begging for a share in their good fortune!

18. Attacks on Insecurity

THE FOLLOWING summary of alternative techniques employed to obtain greater job security is based primarily upon the analysis of contract provisions reported in Professor Sumner Slichter's *Trade Union Policies and Industrial Management*. This work contains the best single description and analysis of such provisions, and no student who desires more than an introduction to the subject should be satisfied until he has carefully considered Professor Slichter's exhaustive treatment.

DISCHARGE

1. Review of discharge through the grievance procedure.
2. Required disciplining and eventual discharge of employees who fail to abide by the agreement or are engaged in other disruptive practices disturbing to good union-management relations.
3. Notification to union when member is warned.

LAYOFF

1. Advance notice of layoff.
2. Rehiring of laid-off employees before new workers are sought.
3. Requirement that non-members be dropped first.
4. Guaranteed employment.
 - a. Guarantee of steady work to a minimum number of workers.
 - b. Minimum number of weeks per year to the regular force.
 - c. Annual wage to regular employees.
5. Dismissal wage.
6. Equal division of work.
7. Layoff and rehiring in accordance with length of service.
 - a. "Straight" seniority, or length of service qualified by other criteria, including ability, efficiency, family status, etc.
 - b. Unit of seniority may be the occupation, the department or division, the plant, the company, or combinations of these, limited or not in the application below a certain length of service—as, for instance, plant-wide seniority for those of over 10 years of service.
 - c. Top seniority for union stewards or officials or both.

8. Combination of equal division of work and seniority, for instance:
 - a. Temporary employees laid off.
 - b. Equal division of work to a certain minimum number of hours per week.
 - c. Layoff in accordance with seniority.

MAKE WORK RULES:

1. Limits on daily or weekly output.
2. Indirect limits on the speed of work—by limiting union members' acceptance of more than standard rate, by forbidding pacesetting or timing of jobs.
3. Controlling the quality of work when higher quality means more time.
4. Requiring time-consuming methods of or tools for work.
5. Requiring that unnecessary work be done or that work be done more than once.
6. Regulation of number of workers on a job, particularly requiring the employment of unnecessary workers.
7. Requirement that work be done by members of a particular skilled craft.
8. Prohibiting the working of foremen or employers.

TECHNOLOGICAL INNOVATION

1. *Obstruction*
 - a. Refusal to operate new equipment.
 - b. Refusal to work with non-members who operate new equipment.
 - c. Making operation unprofitable by demanding high rates or limited production for operation of new equipment.
 - d. Expressly forbidding introduction of new equipment through agreement, backed if necessary by threat to strike.
 - e. Resort to law to prohibit its introduction.
 - f. Appeal to public opinion.
2. *Competition* by making concessions to union employers in wage rates, overtime, shift arrangements, or other matters, to enable them to compete with plants using the new equipment.
3. *Control* by permitting introduction of new equipment but specifying terms of its use.
 - a. Use of union men on new equipment.
 - b. Regulation of size of crews, hours of work, rate of introduction.
 - c. Provisions for retention in employment of displaced men.
 - d. Terminal wage payments.

HEALTH AND SAFETY

1. Definition through clauses in the trade agreement of permissible conditions of work.
2. Safety and health programs.
3. Resort to law to require minimum conditions of safe and healthful work.

4. Benefit plans to reduce the financial problems arising from hazard to health and safety.

What are the interests of the several parties in the negotiation of such arrangements? The worker's interest is clear. He is seeking a definite understanding of how he stands with respect to tenure and he wants that tenure to be as secure as possible. He wants protection from the loss of work whether from discharge, layoff, illness, or accident, and compensation if the loss is unavoidable. The union and management both desire the loyalty and co-operation of workers, and seek that objective by attempting to satisfy them on this issue, which is of major concern to them. Differences in method between the union and management, however, are bound to arise because of other interests which each must keep in mind in negotiating specific arrangements.

The employer's interest in profitable operations is affected in several ways. Profitable operations depend on keeping unit costs at a minimum. One way of doing that is to weed out inefficient or unco-operative workers through discharge, layoff, and discriminating rehiring. Particularly in discharge cases the employer is concerned about his prerogatives believed essential for meeting his responsibilities as manager of a complicated enterprise. Although the employer's conception of the relevance of his employees' "trade-union activity and loyalty" to "efficiency and loyalty to the company" has greatly changed in recent years, some employers are still honestly convinced that the weaker the union influence, the greater the individual employee's initiative, energy, and efficiency. Certainly in the past employers have used their "weeding out" prerogative to eliminate individuals prominent in union activities. Since the passage of the National Labor Relations Act, employers have had this privilege severely restricted. If there are still employers to whom this restriction is distasteful, the controls in a trade agreement, of course, handicap further action they consider essential to effective operations.

Even with the present acceptance of collective bargaining, however, the worker's other characteristics affecting efficiency and productivity predominantly concern management. Any interference with the employer's discretion in eliminating undesirable employees who have relatively low efficiency, through review of discharge, layoff control by equal division of work, or seniority provisions reduces his opportunities to accomplish this end. Against this loss he must balance any gain in efficiency attributable to reduced fear of arbitrary or unjust dismissal. It is frequently hard for him to anticipate such a gain, for he has been accustomed to work on the assumption that fear of dismissal for relatively low efficiency is one of the worker's greatest stimuli to exertion and perfection of skill. In any case, such controls make doubly important for him the careful original selection of his employees and in-plant training. To the extent that separations and rehiring are based on other criteria than relative efficiency, he must use every means available to reduce that portion of his working force which is inefficient. It is possible, of course, that a firm with a good reputation for job security will attract a larger number of applicants interested primarily in security from which to select its

workers. With our present knowledge we cannot say whether workers so attracted are likely to be more or less efficient and ambitious than others.

Pace-setting and individual production quotas are clearly relevant to the reduction of unit costs. Managers have long recognized that their discretion in such matters is limited by individual and group resistance to any speed-up, but the organization of such resistance through "make-work" rules enforced by the union seems to them a doubly dangerous interference with their power to reduce costs. Even though originally management alone sets tasks or production quotas, agreement terms providing that these shall be subject to review by the union, or be threshed out through the grievance procedure, definitely restrict their freedom in controlling costs.

Any limitation on ability to introduce technological or process changes is, of course, a threat to the major device for reducing unit costs, and to maintaining a favorable competitive position in the market.

The effect of guaranteed employment on the employer's profit-making is impossible to determine at this time. Too little experience has accumulated to date. Certainly any such arrangement reduces the proportion of variable costs subject to management manipulation. Some contend that it is a stimulus to management thought and effort in reducing costs through elimination of heretofore undiscovered waste.

Not unrelated to the employer's cost-interest is his desire to establish a reputation for fairness and maintain arrangements which will attract workers, provide them with a satisfactory working experience, and induce them to remain a part of his "reserve of labor" during slack seasons. Most employers are aware that the efficiency of workers lessens under the demoralizing effects of uncertainty and worry, and many of them realize how morale improves when jobs are secure. In addition, many of them have personal standards of equity, justice, and public welfare with which they are striving to make their managerial activities conform. Beyond this, they have a professional status to protect and improve. A reputation for "good industrial relations" vies with a reputation for "a good profit position" in elevating their status among their colleagues and with the general public.

What interests must union negotiators take account of in negotiating job-security provisions? There is no uniform union policy or practice with respect to such issues. Unions may have a number of objectives, the achievement of each of which may conflict with the attainment of the others. The union has an interest in maintaining its own strength, in the satisfaction of its members' desire for job security, in the competitive position of the firms with which it does business, and in the advancement of social justice and the public welfare. These are not mutually exclusive; indeed they are to a high degree interdependent.

The foregoing discussion of the employers' cost problems indicates that union job-security practices pose additional problems for management which, if unskillfully solved, may increase costs. This is particularly true of make-work rules and restrictions on technical and managerial innovation, but is also true of restrictions on management freedom in dismissals and rehiring, and of any net cost of

employee-welfare plans not recovered in improved employee efficiency. Unions may put other considerations first, but they cannot ignore the effect of their practice on the competitive position of the firm or industry, and the related effect on workers' real security and union strength. Not only regularity of employment but employment itself, not only loyalty of workers to the union but the existence of particular locals and the whole international depend on union firms' or industries' ability to compete successfully with nonunion firms and industries. Union leaders are aware of this fact, some of them as a result of bitter experience. Pressure from the rank and file, buttressed by the confidence that "management can find a way" if it wants to, and the urgency of immediate necessity, however, may temporarily at least lead a union to make this a secondary consideration.

What are some of these immediate necessities which may dominate the union's interest in particular negotiations? The protection of the union's status and the maintenance of union standards may be one. Employers have been known to use their power of dismissal and rehiring to deplete union ranks of particularly active and effective members. Although men may not be discharged or laid off for union activity, dependence on the employer's complete discretion tends to make individuals for the sake of job security "play up to the boss" in speed of work and in other ways. Such behavior makes difficult the maintenance of union standards considered essential to protect the merit standing of the group as a whole, the old as well as the young, the weak as well as the strong, the less efficient as well as the more efficient. Speed-up is not so likely to result in job insecurity if the employer does not have complete discretion in dismissals and rehiring.

Make-work rules are, of course, a more direct attack on this problem. Unions not only wish to keep members from "working themselves out of jobs," although this is at times the simple premise of make-work rules. Fundamentally more important, however, is that the whole strength of the union depends on success in collective determination of all terms of the labor contract and the elimination of individual bargaining with respect to them. Unless the amount of output is controlled collectively, the effective price paid to labor for its output is still an individually and not a collectively determined rate. The unions desire to eliminate this form of individual bargaining.

The strength of the union is also enhanced by loyalty generated from gratitude for the removal of arbitrary decisions of management which have sometimes appeared to workers to be based on favoritism quite unrelated to relative efficiency; gratitude for protection of individuals and the group in their resistance to a pace of work believed to be "too much"; gratitude for an instrument which can reduce somewhat their anxiety about technological displacement and the hazards of illness or accident; gratitude for even the effective presentation of a proposal for guaranteed periods of work. Even if no suspicion of favoritism is present, and management's policy on retention of workers is fairly and demonstrably related to relative efficiency, a union insisting on regularized automatic distribution of available work is supporting and reinforcing a widely held workers' conviction. That conviction is that fluctuations in employment result from social and eco-

conomic forces beyond the control of individual workers, and that their impact on individuals should not be determined by the relative utility to an employer of particular workers. Relatively low efficiency, they say, is not a social crime to be punished by joblessness in the face of social circumstances which even high individual efficiency has not the power to overcome.

Closely akin to this interest that individual workers shall not bear the brunt of a social maladjustment is the interest that individual workers shall not pay an unreasonable price for the benefits of technological improvement to profit-makers and the consuming public. No major unions today would imitate the Luddites in their destruction of laborsaving machinery. Labor leaders are fully aware of the ultimate values to all people, including workers, of the most efficient tools for the production of goods, yet they resist the imposing of the cost of such ultimate values upon particular workers or groups of workers by attempting to control the introduction of such devices and the provision of compensation to the inevitable victims of the process.

Union strength, of course, is not automatically improved by particular devices for job security. If equal division of work goes too far, the level of earnings may result in sharing destitution, not employment. The best workers and sometimes the most active union men may leave the trade. On the other hand, in permanently declining trades, division of work may retain an unduly large reserve of labor, with inflated union rolls, an increasing burden of service, and the threat to undermine the union's standards by the dissatisfied as results. Seniority may split the union, particularly after a period of time, between long and short service men, and inhibit union loyalty on the part of younger and dynamic individuals whom the unions desire very much on their active rolls. Freedom of movement may be to some workers more desirable than stability of employment with a particular employer. Possibly make-work rules and control of technological innovation may so reduce production and earnings in union shops that not only do they lose in competition with nonunion shops and possibly diminish employment as a result, but union workers in certain cases may actually be earning less than nonunion workers. This situation is not an inducement to union loyalty.

The public's interest in these matters is sometimes identical with, sometimes different from, the interests of the respective parties. It is not true that the public's interest is solely in the cheapness of products. That is a very real interest, however, and when costs which might have been reduced and passed on in lower prices are maintained or increased by union measures, the consuming public may consider that it is paying the bill. Moreover, if the productive use of workers is overly retarded, a hidden bill in reduced total national productivity is paid. But the public's other bills may not be so large as a result of certain of these measures, and the public has a vital interest in the reduction of these also. Industrial unrest arising from insecurity, lowered family and community efficiency as well as productive capacity, presents the public with a huge statement each year. Hard-

bought skills, paid for by the efforts of many besides the worker himself, if not conserved and utilized are wasted resources for which the consuming public has to pay. Not only as consumers but as citizens the members of the public are interested in the conservation of skills of the maximum number of workers and their utilization over a maximum period of years. The public is interested in the health and productivity of men over their working lives, not merely for this year. The public is interested in the maximum utilization of capital equipment as well as in the optimum volume and timing of new investment in industrial facilities, both of which are affected by the measures attacking insecurity, especially the control of technological innovation.

The public interest in worker's security has not been passive. From the days of the earliest factory acts to the present, an increasing volume of legislation has been concerned with the worker's health, safety, and economic security. Public provision for such matters has expanded so rapidly in the twentieth century that the security sought through collective bargaining assumes a floor of security established by legislation. The beams and the planks in the floor are so important a part of our economic life that their nature is a subject in itself. Any adequate consideration of such protective labor legislation is impossible within the confines of a book devoted primarily to the issues and instruments of collective bargaining between management and the representatives of the workers. The following selections therefore are concerned with the gaining of security on the industrial front through the parties' activities directly related to their tasks.

MAKING THE JOB LAST

PHILIP MURRAY¹

Recommendations for Dealing with Techno- logical Unemployment

I want to discuss, briefly, practical ways in which industry can assume social responsibility for technological changes. In many instances this can be done through the normal processes of collective bargain-

ing. Technological changes should be introduced without workers having to pay for them through the loss of their jobs. This can be done through collective bargaining, in many instances, along the following lines:

1. The workers to be displaced by technological changes should be reabsorbed in the regular labor turn-over of the companies installing them.

2. The workers to be displaced should be notified at least six months in advance. From then until they are finally displaced, they should be given opportunities to learn how to do other jobs where openings develop periodically. Where necessary, expert vocational guidance and training

¹ Philip Murray, *Technological Unemployment*, Steel Workers Organizing Committee, Publication No. 3, April, 1940, pp. 37-40.

should be provided for those workers who cannot easily adjust themselves to other jobs.

3. Those workers for whom there are no openings when they are finally displaced, should be employed in some capacity until regular jobs open up for them. The wages paid these workers until they are placed on regular jobs should be charged to the original cost of the technological change.

4. Displaced workers who suffer a reduction of ten or more percent in their average daily earnings as a result of being absorbed on lower paying jobs than their original ones, should be paid a job compensation of 3% of their earnings while in the service of the company. The job compensation payments should be charged to the cost of the technological change.

5. The displaced workers who, for various reasons, cannot be reabsorbed in other jobs should be paid a dismissal wage of 10% of their earnings for a ten-year period, but not less than \$500.00 to those workers with less than ten years of service. The dismissal wages shall be charged to the cost of the technological change.

This plan will help eliminate the social cost of technological changes: Jobs will be found for most of the displaced workers, and those who are not reabsorbed will be compensated, in part, for the loss of their jobs; while those who suffer reductions in their earnings by being reabsorbed on a lower paying job will, in part, be compensated for this.

This program is essentially a practical one. The present practice of industry is to set aside so much money each year, under the item of depreciation, for the renovation and replacement of machinery. The cost of the program of social responsibility for technologically displaced workers, which is herein proposed, can be met by industry in a similar manner. As a matter for practical consideration it is suggested that industry adopt the policy

of setting aside a certain sum of money each year, say under the item of "social costs," for the purpose of compensating workers who are displaced by new machinery, or are demoted to lower paying jobs as a result of technological changes. The objective, of course, primarily is not to provide dismissal wages to displaced workers, but to compel industry to keep workers on the payroll by planning the introduction of technology, so that industry will not have to pay dismissal wages and workers are not displaced.

This practical plan is not offered as the final solution for all the problems incident to the installation of technological changes. Instead these concrete suggestions are submitted for practical consideration by the parties to collective bargaining agreements in industry; the objective being to eliminate the heavy social cost of technology.

There is no reason why this plan cannot be adopted by management generally where collective bargaining is practiced. Collective bargaining in the basic industries, however, is practiced on a company-wide basis, and therefore cannot cope with large technological changes, like the automatic strip mill, that are industry-wide and national in character. Consequently, in the absence of universal collective bargaining, Congressional regulation of the introduction of large technological changes is necessary. It is not my purpose to outline in final detail such regulation, but at this time merely to indicate broad general outlines.

The objective of these regulations should be to eliminate the social cost of technology. This means that technological changes should be installed at such times and under such conditions as not to displace workers, bankrupt communities, close up complete mills, and otherwise disrupt the social fabric of industrial districts.

These regulations might take the following form:

1. It should be compulsory for industry to pay adequate dismissal wages to all workers who are displaced as the result of technological changes.

2. The Federal Government should conduct a large-scale vocational training program for displaced workers who are paid dismissal wages, so that they will be better adapted for other jobs in industry that they might be able to secure, when their dismissal wages are exhausted. It is essential that labor should participate in the administration of such a vocational training.

3. In addition to compulsory dismissal wages, other measures designed to have industry immediately reabsorb workers displaced by technological changes should be adopted.

It should therefore be the policy of the Federal Government to see that technological changes are carefully planned and properly introduced by industry, so that they do not displace regularly employed workers. In this way the men and women, their families and communities who have been the victims of technological changes in the past, would be provided for, and industry would assume social responsibility for the workers, their families, and communities who otherwise would be discarded by new production methods and processes.

RICHARD A. LESTER ¹

"Lump of Labor" Theory

Restrictions upon the units of output per worker in order to "make the job last" are especially characteristic of seasonal in-

dustries like the building trades, in which workers may seek to extend the period of their employment during each year. That helps to explain such restrictions as those upon the number of bricks that a bricklayer can lay, the number of bundles of laths that a lather can tack, and the number of barrels of lime that a plasterer can handle, in any one day. In nonseasonal lines, however, workers may also try to "nurse the job along," so that they "do not work themselves out of employment."

Economists have been almost unanimous in their condemnation of restrictions upon output, which they claim are based upon a false "lump-of-labor" theory. According to this theory there is just so much work to be done, so that a particular grade of labor may increase its total hours of employment by reducing the output per worker.

In this matter, the trade-unionists are arguing from the particular to the general and the economists are reasoning from the general to the particular. Consequently, neither group appreciates the position of the other side. A trade-unionist, a plumber for example, correctly assumes that the total costs of plumbing are such a small item in the total costs of constructing and maintaining a building that the wage-output ratio of local plumbers will have practically no effect upon total building construction in the locality. He, therefore, is inclined to take the common-sense view that there is a fixed amount of local plumbing work to be done in any one year and that a rapid pace would result in fewer hours of work for local plumbers. . . .

The economists are correct in insisting that there is no fixed demand for all products or services and that the demand for a particular product or service, though it may be fixed in the short run (for example, after the building contracts have been let), is not fixed over longer periods. But the economists may make a mistake in

¹ From Richard A. Lester, *Economics of Labor*, copyright 1941 by The Macmillan Company and used with their permission, pp. 630-31.

attempting to apply such general conclusions uniformly to all particular cases, and insisting upon a close relationship between the output of, say, one out of 20-odd building or railroad crafts and the demand for building or railroad service. Small sections of the total labor supply may increase their total real earnings by restrictive practices, even though the real income of the whole community or of other laboring groups is reduced as a consequence.

Business leaders likewise favor restrictive practices that help to maintain prices and prevent any "spoiling of the market." In reasoning that price-cutting is collective suicide because there is only a certain demand for a product or a certain amount of business to be had, they are committing what might be called the "lump-of-business" fallacy. The price policies of employers in many industries seems to be based on the assumption that demand is fixed and that price reductions would not lead to increased sales.

HARRY D. WOLF¹

Payment for Non-Productive Time

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One of the most frequent criticisms of this system is that it grants pay for hours not worked. The manner in which the

Interstate Commerce Commission publishes its monthly and annual data on wages and hours appears to lend support to this criticism. The reports show in parallel columns, "Straight time actually worked," and "Straight time paid for," in terms of both hours and compensation. The latter totals are always the larger. Thus for 1938, train and engine service employees are shown as having been paid \$452 million for 498 million hours. However, they are shown as having actually worked only 403 million hours, payment for which amounted to \$366 million. Here is a difference of 95 million hours between those worked and those paid for, involving payments of \$86 million. How is this discrepancy to be accounted for, and does it represent payment for which no services were rendered?

Payments included under the caption "straight time paid for" throw some light on these questions. Straight time paid for is an aggregate of three items. The first results from the guarantee of a full day's pay even though an employee works only part of a day. Some of the discrepancy between hours paid for and hours worked appears when a carrier reports payment for a full day but only the number of hours worked that the employee was actually on duty. The second item is closely related and arises from the guarantees given certain classes of employees that they will be paid for every working day in the month, if available for work, whether or not their services are actually used on a given day. These two items together account for about one fourth of the amount of the discrepancy between time paid for and time actually worked.

To the extent just indicated, train and engine service employees unquestionably receive pay for time not worked. Whether such payments are justified or not is another question. The purpose behind them is to guarantee employees a minimum

¹Harry D. Wolf, "Railroads," *How Collective Bargaining Works*, ed. by H. A. Millis, Twentieth Century Fund, New York, 1945, pp. 348-50.

wage, and to protect them from reporting for work and being sent home without compensation if they are not needed. Similar provisions are commonly found in agreements in other industries and are in no way peculiar to the railroads.

The third and most important factor which explains the discrepancy between hours worked and hours paid for, is to be found in the practice of reporting miles which are run at a rate of speed in excess of the ratio of miles to hours in the basic day as hours paid for, but not as hours worked. A conductor in through freight, for example, who runs one hundred and twenty-five miles in eight hours is reported as having been paid for ten hours, but as having worked only eight. Similarly, if his regular run is, say, ninety miles which he completes in five hours, he is reported as having been paid for a full day of eight hours, but as having worked only five hours. The amount paid out for this "straight-time excess mileage" accounts for the remaining three fourths of the discrepancy between hours worked and hours paid for.

Here again it is literally true that train and engine service employees receive pay for hours which they do not work. However, it must be borne in mind that payment by the mile is essentially a piece-rate system introduced by the carriers to speed up production—in this case the number of miles per hour. If an hour is regarded as the equivalent of twelve and one half miles, which is the ratio of hours to miles in the basic day, it may be argued that service is rendered in return for payment for straight-time excess mileage. Considered in this light, a freight conductor's run of one hundred and twenty-five miles represents ten hours of work rather than eight. Moreover, had the run actually been ten hours instead of eight, the pay would have been the same. Criticism here, if it is in order, should be directed not at the

system of wage payment as such, but at retaining as the basis of calculating a day's work a rate of speed which is now obsolete. One result of retaining "100 miles or less" as the day's work has been a tendency for straight-time excess mileage payments to increase during the past several years. Another result, and equally significant, has been a corresponding tendency for overtime payments to decrease.

WILLIAM HABER¹

The Function of Working Rules

The union's working rules have a fundamental purpose not unlike that of the business man's, namely, to share and equalize opportunity. Both employer and employe seek protection against the unfair competitor. The price cutter in the commercial field is as much a danger to the contractor as is the unorganized worker who accepts a wage below the "standard" to the union man. Both seek to prevent an oversupply of their commodity. Both view restriction of production and output as ordinary phenomena of business.

However, while many of the restrictive union regulations are paralleled by modern business practices, others are primarily protective devices and have no such counterpart. Such rules, though not "economically sound" from the employer's outlook, are sound policy from the point of view of preserving the union and protecting its members against the constant menace of the nonunion employer or of a rear attack by the employer who has already "recog-

¹ Reprinted by permission of the publishers from William Haber, *Industrial Relations in the Building Industry*, Cambridge, Mass.: Harvard University Press, 1930, pp. 197 f.

nized" the union. Fundamentally, working rules are a reaction to the insecurity of the worker in modern industry. Such insecurity arises from dynamic changes which occur—changes in methods of production, in business conditions and in management. Working rules tend to check the progress of these changes, to make the introduction of machinery gradual, to standardize the operations of management and to prevent a sudden shift in the workers' status. The rules are, in theory, therefore, conservative and appear to favor the status quo in the industry. It is on this account that employers fear unionism and its rules.

Even in unorganized industries there are unwritten customs, often surprisingly inflexible, which define the rights of the worker in relation to the work and to the employer. Deviations from such customs frequently result in resentment and finally in industrial conflict. Although such instances are rare, experienced factory managers testify that restriction of output is tacitly agreed upon even among unorganized workers. Where written trade agreements exist, customs are codified, and incorporated therein, or in the union "by-laws."

An analysis of the working rules of unions which employers classify under the term "restriction of output," shows that these seek to curb the dictatorship of the employer and to assert the workers' right to participate in determining "working conditions." They are a manifestation of the "police function" of the trade union—an instrument of "protection and conservation" seeking to "insure justice against favoritism in the shop, to render equal distribution of work, to maintain production standards against both speeding up and sabotage, to enforce sanitation, to save the wage level from being undermined by special secret understanding, and to prevent illegal overtime." Many of these rules date back to the time

when the changing economic environment threatened to deprive the workers of the bargaining value of their skill. In the contest between the dynamic changes of industry and the fundamental conservatism of skilled workers, the rules have developed from crude and temporary expedients to compromises—not, however, sufficiently flexible to adapt themselves to industrial problems.

WILLIAM M. LEISERSON¹

Restriction of Output

From the time the young worker enters on his first industrial experience and meets the mass pressure for restriction to the end of his days in the shop when he is exerting pressure on younger people to protect his earnings and his job, he works in an atmosphere charged with restriction. He knows that many of the restrictive practices could not exist without at least the silent assent of his bosses. He may deplore or resent the necessity of limiting his output, but he soon learns the wisdom of adjusting his production to the demands of his market.

He discovers that he may earn "too much," that his earnings may get "out of line" with other workers' wages, that something goes wrong with his rates from time to time, and that time-study men come to readjust tasks and piece prices. Then he sees the reason for the tradition "never let the boss find out what you can turn out." If "incentives" are dangled before him in the form of standard tasks, premiums, bonuses and other devices, he

¹ William M. Leiserson, "The Economics of the Restriction of Output," from *Restriction of Output among Unorganized Workers* by Stanley B. Mathewson, copyright 1931 by Antioch College, and reprinted by permission of the Viking Press, Inc., New York, pp. 163-65.

soon notices that the rate per piece goes down as the bonus or premium goes up; and he learns that the inducement is to turn out more product for each dollar of pay. When he is asked to work short-time because the company cannot use the output of the employees, or when he sees fellow workers laid off because a smaller number can turn out the amount of work the company wants, the dangers of "over-production" are forcefully brought home to him.

And what will he do when he sees the job giving out? Rush it through to have a longer vacation? If business ethics do not teach him to nurse his job as long as possible, the need for food and rent, or milk for his babies, impresses the lesson upon him. Working and living in such an atmosphere, he smiles at the *naïveté* of the learned economists and engineers who tell him that making work last longer is a policy based on the fallacious "Lump of Labor Theory" and ultimately results in economic loss.

He is practical. He knows the conditions of the markets in which he sells and delivers his labor, and his policies are dictated by the practical necessity of avoiding over-production, not by any theory of economics. The same practical necessity is impressed upon all wage-earners, and the common mind resulting from the similar circumstances in which they find themselves develops an instinctive cooperation and collective action for restriction where trade unions are not present to organize it.

Finding that hiring rates are lowered when there are many unemployed, and that increased productivity leads to dropping men from the payroll as well as to cuts in wage rates, working people naturally conclude that their main interest is not to increase productivity, but to keep the supply of labor and its output down so that their prices might be maintained. How can they promote this end? Obviously, as they see it, by working as slowly

as possible and restricting output, so as to make more work for themselves and to increase the demand for labor generally.

WILLIAM M. LEISERSON¹

Make-Work Rules of Unions

Of the general category of work fund rules, five common types can be identified.

1. There are restrictions on technological improvements in processes and machinery. Characteristic instances reasonably verified are: prohibitions against the use of cement mixing trucks in Chicago; interdictions against the use of the paint spray gun and even of wide paint brushes in most cities; prevention of the delivery of mortar in bulk in New York; and restrictions upon the use of efficient transportation by plumbers to and from the job. Teamsters in Chicago were able to compel enterprises to use coal instead of gas. Opposition of the Musicians' Union to the use of transcribed music has been partially successful. Examples could be extended indefinitely. It is sufficient to identify the type and to show that the occurrence is frequent.

2. There are restrictions upon the use of prefabricated products. In the building trades this seems to be the rule, not the exception. There have existed requirements of performing a great deal of work on the job instead of in the shop: the cutting, measuring and threading of pipe in New York, Chicago, Houston, and probably other cities as well; the bending of steel for concrete reinforcement in New York; the cutting of electrical wire and piping in Washington, D. C., Peoria,

¹ William M. Leiserson, "Make-Work Rules of Unions," reprinted by permission of the author from *American Economic Review*, May, 1945.

Illinois, and Racine, Wisconsin, and doubtless in other areas. The installation of pre-assembled bathroom fixtures has been prevented at least in the New York and the San Francisco areas. In New York, Pittsburgh, and Oklahoma City rules have existed against the use of wall board and hollow tile. The federal government itself was prevented from accepting the bid of the Currier Lumber Company to erect prefabricated housing in 1941.

3. There are rules requiring the performance of unnecessary work. Thus in New York, electrical equipment manufactured outside the city must "if at all feasible" be knocked down and reassembled before it is installed. Even switchboards manufactured in the city under closed shop agreements must be disassembled and reassembled on the job. In the printing trades it is forbidden to exchange certain typeset matter or matrices between local print shops unless the material is again composed, proof read and corrected, within a specified time, by employees of the newspaper receiving it.

4. Almost indistinguishable from this type of rule is the common requirement of the hiring of unnecessary men. While the effects of the "full crew" laws and contractual terms have been debated with respect to the railroads, there is little doubt that waste is the general result. Teamsters in New York have exacted the hiring of an extra "pilot driver" on over-the-road trucks at the city boundary. In New York and Chicago, milk wagon drivers have interfered with store sale of milk. In nearly every city, amateur musicians may not play in public entertainment where even a single bar of music is played. In Chicago it is required that professional musicians be hired to put on and take off records played over any public loud-speaker. At least in New York, temporary lighting must be in charge of a full time electrician, even though all he does is turn a switch twice a day. In a majority of its

agreements the Pressmen's Union has a clause establishing minimum crew requirements which vary from place to place somewhat in ratio to the bargaining power of the union. It is a matter of common repute there have been costly manning rules in the theater.

5. The most common of all restrictive rules are those which place limitations upon employee output. These are by no means limited to industries subject to collective bargaining. Indeed, formal limits are quite uncommon in collective agreements. Usually they are not discernible to the casual observer. The effect is often created by the method of wage payment, by the determination of standard performance, or under provisions for the protection of the health and safety of the workers. Many are matters of craft tradition or informal group pressure aimed at making or spreading work.

Somewhat apart from these types of the work fund category of make work rules and still not partaking of the second category of devices for restraint of trade, there is an intermediate method of economic exaction which has been much in the public eye in recent months. This consists in the requirement of payments to the union unrelated to any services rendered at all. Last November the Musicians' Union succeeded in compelling the major recording and broadcasting companies to agree to make large payments to the Union treasury for the privilege of using the transcribed music for the recording of which union musicians, doubtless many of them unnecessary, had been fully paid at the standard union scale.

To the Musicians' Union the method was not new; there have been other precedents. Most abusive is the rule prevalent in many cities that when "stand by" musicians are required no actual musicians can be hired, but instead the sum of their wages must be paid to the union. The same practice is said to have been fol-

lowed by the New York Teamsters in connection with the requirement of "pilot drivers."

FREDERICK H. HARBISON¹

The Seniority Principle in Union-Management Relations

Frederick H. Harbison is executive officer of the Industrial Relations Section, University of Chicago.

The principal end sought by unions in demanding seniority is to limit the control of management in certain employment relationships. The employer has almost complete control of layoff, reemployment and promotion procedure when the governing factor is merit or relative competency as determined by management. Under straight seniority, however, the union limits this control by forcing the employer to follow a predetermined formula or procedure based on length of service. Consequently, unions have demanded seniority for the following reasons:

1. To eliminate favoritism and bias in selection of individual workers for layoff or promotion.
2. To prevent discrimination against union members.
3. To afford protection and greater security for long-service employees.

In industries where there are wide fluctuations of employment, where older workers are handicapped by lack of physi-

cal strength and endurance, where foremen have shown favoritism, and where opposition to organized labor has been strong, there is usually a demand among workers for establishing seniority rights. The union is successful in attracting members to the degree that it can get credit for providing the workers the protection they desire. In this respect, the attitude of a local union president who favored straight seniority was as follows:

"One of the principal purposes, if not the main reason, for existence of a union is to give the workers job security. Consequently, the union must exercise some control over layoffs. We are still fearful of anti-union tactics by the company; the status of our organization is still insecure. Our only means of protection, therefore, is to lay down strict seniority rules and to force management to conform to them rigorously. Should we make the slightest concession in relaxing those seniority rules, the employers would take advantage of us. We know from past experience that we can't trust the company as long as they are still fighting us."

Faced with a determination by company executives that layoff and promotion policies should be formulated by management alone and not subject to judgment from any other source, labor leaders often thus attempt to erect barriers in the form of rigid, detailed seniority rules. Once forced upon the employer, these rules tend to become a permanent feature of employment policy accepted by both sides in spite of the fact that more harmonious relations between management and the union may have developed in the meantime. In such cases, the benefits gained from the elimination of personal favoritism and discrimination may be offset in some degree by the arbitrary discrimination which is inherent in any rigid, mechanistic seniority system. . . .

In the first place, the majority of the labor leaders interviewed were fully aware

¹ Frederick H. Harbison, *The Seniority Principle in Union-Management Relations*, Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J., pp. 36-38.

of the difficulties and pitfalls in the application of seniority by plant, department or occupational groups. Many were hesitant to commit their union to long-term rigid rules. A national union executive summarized his position in this way:

"We are opposed to rigid or straight seniority. Basically the demand for straight seniority on the part of many of our locals springs from an inferiority complex, a sense of weakness, if you will, in dealing with management. Given the proper treatment by management, a strong union should be able to protect the workers better in the long run by building up effective grievance procedures to check favoritism, bias or discrimination where it may exist. With assured status and proper leadership, the union is better off to be guided by the general seniority principle, but to decide each case on its own merits. It is dangerous for a union to commit itself to a rigid procedure which may work to its disadvantage at some future time."

In the second place, most companies were making determined efforts to eliminate discriminatory and biased practices of the supervisory forces. It was evident that discrimination against union members was diminishing. The development of job classification, work standards and ability-rating plans is bound to lead to more objective judgments of qualifications of the employees.

Finally, there were indications of the development of joint union-management control of employment policies, either through the regular grievance committees or specially-created seniority committees. In some companies studied, a tribunal composed of management and union representatives classifies and rates employees for the purpose of promotion or layoff, determines the competency of individual employees, and decides upon a procedure of layoff and reemployment as each occasion arises. The advantages cited of such

joint control of employment policies were greater flexibility in application of the seniority principle, fewer formal grievances, and more harmonious cooperation in union-management relations. It appears, however, that the development of such committees involves greater stability in union-management relations than existed in most of the companies studied.

Industrial workers want job security. In large measure the success of any union organization drive is dependent on the degree to which the union can claim credit for protection of the members' jobs. Union officers attempt to afford such protection in two ways: by insistence on straight seniority, or "legislative control" over employment policies, or by continuous negotiation through joint union-management committees, which might be termed "administrative control." It was apparent from various interviews that the status of the union and the stability of union-management relations have an important bearing on which method company and union officers think most desirable.

SUMNER SLICHTER¹

Consequences of Job-Security Efforts of Unions

SOME PROBLEMS CREATED BY THE EQUAL DIVISION OF WORK AND SENIORITY

The equal-division-of-work policy has the advantage, under ordinary circum-

¹ Sumner Slichter, *Union Policies and Industrial Management*, The Brookings Institution, Washington, D. C., 1941, pp. 137-38; 151-63; 197-99; 279-81.

stances, that it preserves the solidarity of the union, because it applies alike to all workers in an occupational group and distributes the burden of unemployment equally. The principal limitation of the policy is that it fails to provide a satisfactory way of meeting permanent changes in employment—changes produced by technological improvements, by market shifts, and by competition. When the drop in employment is permanent, equal division of work simply forces the retention of an excessive number of men. . . . Sometimes there is difficulty in deciding whether the drop in employment is permanent. If the issue is raised during a time of severe depression, the union, under pressure from its members to prevent layoffs, may argue that the drop in employment is mainly a result of the depression, and that no reduction in the working force is necessary. If it admits that a permanent drop in the employer's business has occurred, the decision as to who shall be dropped may split the union. To avoid favoring some of its members at the expense of others, the union may feel compelled to insist upon a continuation of division of work—in other words, to attempt to enforce the policy under conditions to which it is not well adapted. If an industry is feeling the impact of advancing technology upon a stationary or slowly increasing market or if the market is actually shrinking, it is easy for a union, by enforcing equal division of work, to become an agency for imposing a lower and lower standard of living upon its members. This danger is faced today by the bituminous coal miners and the leather workers. In the New York live poultry industry, the application of equal division of work to a declining industry has plainly converted the union into an instrument for reducing the standard of living upon its members. . . .

The seniority rule has many repercus-

sions important both to employers and to unions. One of the most obvious and most important effects is to discourage the voluntary movement of men from shop to shop. When a man resigns his position, he loses, of course, the seniority which has accumulated. When he accepts a position in another shop, he is a junior man and in danger, therefore, of being laid off at the first lull in business. If the rule requires each employer to rehire men whom he has dropped before adding other men in the same occupation, a man who leaves one shop may have to wait a long time before he obtains another job. Such loss of mobility is a handicap to the men in industries where there are numerous small plants in which fluctuations of employment are violent. It is also disadvantageous in industries where individual skill is important and where the better workers have an opportunity by individual bargaining to obtain premium wages for themselves. This explains why some unions do not adopt the seniority rule or are even opposed to it. . . .

A seniority rule which requires that furloughed workers be rehired, if qualified, in order of seniority is likely to increase the labor reserve attached to an industry. Men who do not have work, but who have claims to jobs when work picks up, are less likely to move to new localities in search of work and to be drawn away by a rise of employment in other industries. Many furloughed railroad shopmen, for example, remained idle in the railroad shop towns during the brisk business in 1937 rather than take advantage of the shortage of metal workers in the automobile centers. Whether the increase in the size of the labor reserve induced by a seniority rule is to be regarded as "excessive" depends upon the criteria used in determining the proper labor reserve. . . .

Seniority is likely to tie the whole or-

ganization together in such a way as to increase the number of men affected by technological changes, and hence to strengthen the opposition to them. For example, a change in process which displaces a few men near the top of the seniority list may cause them to displace other men and those to displace others until a large part of the department has been affected. Hence the opposition, instead of being confined to a few men, may extend throughout the department. The tendency of seniority rules to tie the whole organization together may increase the interest in make-work rules because a large number of men will benefit. . . .

The seniority rule makes discharge a more severe penalty than ever because the man who is discharged, like the man who resigns, loses his accumulated seniority and, when he obtains a new position in another shop operating under the seniority rule, is in great danger of being laid off. For this reason, unions which operate under the seniority rule fight most discharge cases stubbornly. At the same time nearly all men who work under the seniority rule are likely to join the union in order to gain the protection of the union grievance committee. In other words, the seniority rule is practically a substitute for the closed shop.

The seniority rule makes men less willing to strike and makes strikes more difficult to settle. When a man has acquired a number of years' seniority and has, therefore, become fairly certain of steady work, good years and bad, his job becomes to all intents and purposes a highly valuable piece of property. Such a man is reluctant to jeopardize this equity by going on a strike. He knows that if the strike is lost, the men hired to break it will hold seniority over the men who went out and that the strikers will be rehired as new employees with seniority standing dating from the time of their

re-employment. At the same time, the seniority rule is likely to complicate the settlement of strikes, if the employer attempts to run his plant with strikebreakers. In order to attract them, he promises permanent jobs to the men who prove competent. He also promises that they shall have seniority over any strikers who later return to work. It is obvious that an issue is thus created which is bound to be difficult to settle. The employer feels it necessary to stand by the promises that he made to the strikebreakers. The men are determined not to lose their seniority standing. Consequently the two sides may be able to agree on every other issue and yet the strike may continue because they are dead-locked on the seniority question. A notable instance is the railroad shopmen's strike in 1922.

Perhaps the most serious drawback to the seniority rule from the standpoint of unions is its tendency to create dissension within union ranks. There is obviously a difference of interest between long-service and short-service men. In the case of severe and prolonged unemployment, this takes the form of a demand by junior men that working hours be limited and the work shared. . . .

Many conflicts between short-service and long-service men under the seniority rule have been produced by mergers of plants and facilities or by the transfer of work from one plant to another. . . .

EFFECT OF MAJOR LAYOFF-CONTROL POLICIES UPON THE EFFICIENCY AND PRODUCTIVITY OF LABOR

The rules may diminish the productivity of labor in two principal ways. In the first place, they may handicap the employer in finding the men who are best adapted to his work. In the absence of tests which enable employers to judge a man's fitness before he is hired, the em-

ployer must select his staff by a process of trial and error—that is, he must try men and drop those who do not seem well suited to the work. The equal-division-of-work rule and the seniority rule both interfere with this process of trial and error—unless they are limited by a probationary period during which the employer is free to drop the newly hired worker. In the second place, the rules prevent employers from dropping the slowest and least efficient men at the first lull in business—one of the principal methods used for stimulating efficiency. Where the worker's wages are based on his output, the effect may not be of great importance, but the combination of time-work and either equal division of work or seniority (especially straight seniority) may substantially reduce the efficiency of the whole force because it removes virtually all incentive for each worker to avoid being among the low producers. . . .

In several important respects union control of layoffs tends to promote efficiency. In the first place, it tends to promote improvements in employment practice. As long as the employer can drop any man at any time for any reason, he may tolerate inefficient hiring practices, but when it is difficult for him to drop men, he is likely to exercise greater care in selecting them. Some employers have been slow to improve their hiring methods. In particular, they have been slow in insisting upon an adequate probationary period and in making use of it in selecting men.

In the second place, the union restriction of layoffs helps to prevent the development of demoralizing cliques and groups which receive or attempt to obtain favored treatment from foremen. It makes employment a matter of rule rather than the personal whim of foremen. In the third place, it tends to preserve the efficiency of some of the poorer workers by

preventing the concentration of layoffs among them. When employers are free to hire and fire as they please, they naturally attempt to get rid of the least desirable men by dropping them at the first opportunity. Undoubtedly this practice causes some men to improve their efficiency and causes others to leave work for which they are unsuited. But the concentration of turnover and unemployment among a few men is discouraging and demoralizing to many of these men and injures rather than improves their efficiency. And certainly it is not good for their families and for the next generation of workers. In the fourth place, both the equal-division-of-work rule and the seniority rule tend to increase the productivity of men by prolonging their working lives. When the employer is free to drop anyone he sees fit, he is likely to select a number of the older and slower men. Later when the force is increased, some of the older men are not taken back. But these men are far more effective in their regular occupation than in any other. Consequently, when they are pushed out of their regular work, there is a permanent drop in their productivity. Furthermore, with the multiplication of hiring restrictions, most of these older men are never again able to obtain steady work. Layoff condemns them to intermittent employment. From the standpoint of employers it is often a hardship for them to be compelled to retain older men when more efficient younger men are available. This is particularly true of enterprises which in the course of time find their staffs composed of a large proportion of men of 50 or more and which are in competition with newly established enterprises manned with younger workers. From the standpoint of the community, however, prolonging the effective working life of employees is desirable because the important thing is not how much a man

produces per *hour* or *day*, but how much he produces in a *lifetime*.

OTHER EFFECTS OF MAJOR LAYOFF-CONTROL POLICIES

Both equal division of work and seniority increase the importance of incentive methods of payment. For example, the cloak and suit industry found that the combination of equal division of work and day work placed union employers at considerable disadvantage. After 15 years' experiment with day work, the union part of the industry returned to piecework.

Both seniority rules and equal-division-of-work rules tend to make the cost curve of the individual plant more horizontal—that is, reduction in the working force does not lead to as great a reduction in operating costs as it would if the employer were free to drop the less efficient workers. The effect upon the slope of the cost curve has interesting implications for economic theory.

Both the seniority rule and the equal-division-of-work rule accentuate the problem of defining superannuation and of providing regular employment when men who reach a certain age or who fail to meet certain tests of efficiency are to be permanently retired. It is obviously dangerous for an employer to accept either the seniority rule or the equal-division-of-work rule without providing a pension plan supplemented by the dismissal wage to facilitate the retirement of superannuated employees.

Rules which compel employers to retain the older men tend to increase the volume of employment. . . . But when employers are compelled to retain older men, wage rates in general tend to be held down, particularly in establishments which do not pay by the piece, because there are frequently administrative difficulties in paying different wage rates to men performing the same operations. Conse-

quently, the rules which compel employers to keep older men tend to retard the advance in wage rates and thereby tend to increase the number of men which enterprises can afford to hire.²

Of considerable importance is the question of how the methods of meeting reductions in employment affect the interest that unions take in the relation between their policies and the volume of employment. Since unions are democratic organizations, are they not bound to be devices by which the majority advances its interests quite regardless of the effect upon the minority? Whether the union is divided between a majority that is indifferent to the effects of union policies upon employment and a minority that bears the burden of unemployment is likely to depend upon how employment is distributed among its members. The equal-division-of-work rule, by spreading unemployment among all members of the union, tends to increase the capacity of the union to be concerned about even a moderate amount of unemployment. This is less true of the seniority rule, which concentrates unemployment among the junior members. It was pointed out above, however, that even the seniority rule sometimes ties a whole department together so that displacements at any one point produce a succession of displacements that affect a large part of the force. When this is true, even a union operating under a seniority rule may be greatly interested in the problem of employment. . . .

SOME CONCLUSIONS CONCERNING MAKE-WORK RULES

1. Some regulation of the speed of work or size of crew is often needed in the interest of health and safety. It should be remembered, however, that the most reasonable regulations quickly become obsolete with changes in equipment and working conditions. Hence, they need to

be revised from time to time. Prompt and frequent revision is particularly important because the more obsolete a limit becomes, the greater difficulty the unions and employers will find in changing it. The reason is that the more obsolete the limit, the more the men would be thrown out of work if it were removed or raised.

2. Make-work rules are likely to be paid for by wages lower than the union could otherwise obtain, because the disadvantages which the union can afford to impose on employers are limited. Hence a union in deciding whether or not to impose a make-work rule should consider whether it would prefer a wage increase. For example, the Boston newspapers have among the largest crews per press in the country (partly because of physical conditions in the press rooms), but the Boston wage scale for pressmen is one of the lowest among the large cities. The failure of the longshoremen of San Francisco to obtain a wage increase between 1934 and 1940 seems to be attributable to the rapid drop in man-hour output.

3. Limits on production are likely to be particularly dangerous to the union and union employers if payment is by the piece. As the limits become more and more obsolete, the earnings of union workers shrink relatively to those of non-union workers and in the course of time may drop below them. When this happens, the limits on production become a serious obstacle to the union in spreading its organization to non-union plants. . . .

4. From the standpoint of the community, make-work rules are a wasteful way of dealing with the unemployment caused by intermittent work, technological change, and market shifts. In the building industry and among musicians or stage hands, make-work rules do not eliminate the intermittency of employment or the unemployment caused by it. They simply draw into the industry more men than

are needed and thereby reduce the capacity of the industry to give a high standard of living to its employees. What is needed in order to deal with the unemployment caused by intermittent demand for labor is a scheme of unemployment compensation. . . .

Make-work rules are a dangerous expedient for dealing with the unemployment which occurs in declining industries or as a result of market shifts. When an industry is declining, it might seem a rational policy for the union to attempt, by make-work rules, to create jobs faster than the decline of the industry destroys them. If the industry's demand for labor happens to be inelastic, make-work rules may give temporary relief from unemployment. If the demand for labor in the industry is elastic, however, the make-work policy, by raising labor costs, only make a bad situation worse. Even when the immediate demand is inelastic, the demand over a period of two to three years (the time required for employers and their customers and competitors to make various adjustments in their operations) is likely to be elastic. Consequently, in the case of declining industries of market shifts, make-work rules are almost certain to aggravate the very problem that they are intended to alleviate.

5. The Department of Justice has taken the position that forcing an employer to hire unnecessary labor may be a restraint of trade under the Sherman Act. There may be some clearly definable cases, such as the requirement that work be done twice, which might safely be regarded as violations of the act, but there are bound to be many cases in which courts of law would be compelled to pass upon technical engineering and production problems. If a union is charged with requiring the employment of an unnecessarily large crew on a machine or unreasonably limiting the number of pieces that a man may

produce or the number of machines that he may run, how can "reasonableness" be determined? If a union were charged with forcing the employment of an excessive number of men on a new printing press, the court would have to decide the technical question of how many men the press really requires. This number will differ for the same press in different press rooms or under different working conditions. Likewise, the courts might be compelled to decide how many looms a weaver should operate (and the number would differ with a multitude of conditions, such as the nature of the work, the nature of the machines, the kind and amount of help provided), what is a reasonable sling load under different conditions in loading and unloading ship, what are reasonable limits on the daily output of workmen in hundreds of occupations. The public policy of seeking to regulate such technical matters by law is open to grave doubts. These doubts are increased by the fact that there is a possibility of regulating them through the bargaining power of employers. . . .

RESULTS OF THE POLICY OF CONTROL OF TECHNICAL CHANGE

The policy of control tends to promote a more effective utilization of the nation's labor force by requiring employers to transfer and train old employees who otherwise would be laid off. In so far as it does this, it tends to increase the volume of employment. For example, if the union had not required that Morse operators be given a chance to follow their work, many of them would not have had that opportunity. Likewise it was the street railway-men's union which obtained for electric-car operators the opportunity to qualify as bus drivers. But why is this a net gain? If industry had not trained employees from the old technique for the new jobs, it would have trained young men just

entering industry. Does the policy of control, therefore, simply produce a *shift* in opportunity rather than a gain in employment—better jobs and more work for the displaced men at the expense of young people trying to get into industry? The answer is "No." Industry finds it more advantageous to hire and train young people than to retrain the old employees whom the unions protect under a policy of control. Hence when the unions require the retention and retraining of old employees, they compel industry to make a larger investment in training men, for it is still worth while at existing wage levels for industry to hire and train almost as many young people as it otherwise would. Hence the policy of control becomes a method of making a larger number of people worth a given wage scale and thus of increasing the volume of employment.

Is it not wasteful to compel industry to retrain older workers whom it does not regard as worth training? If the return were sufficient, would not industry provide the training without compulsion? By no means. In fact the return on the cost of retraining may be very high. The alternative to not retraining displaced workers is to pay them relief, at least for a large part of their lives. Since the cost of relief falls on no particular enterprise, no employer is willing to bear the cost of retraining in order to escape the cost of relief. That is one reason why industry spends less on training than is economically desirable.

In some cases the policy of control compels employers to use skilled men where semi-skilled would do—as when the granite cutters require all machines to be operated by skilled granite cutters. Training costs money. Is it not wasteful to compel industry to train more skilled men than it needs? Possibly. There is much to be said, however, for the view that the amount of training which is desirable

from the standpoint of the community is greater than is commercially profitable. Training does more than merely increase the economic value of men; it develops them as men.

In a few instances the policy of control may establish such high rates on the new jobs, or may surround the new technique with so many restrictions, that union employers are at a serious disadvantage compared with non-union. Consequently, there may be a substantial shrinkage of employment in the union plants. It is possible, therefore, that the displacement of labor *caused* by the policy of control may exceed the displacement *prevented* by it. For example, the efforts of the railroad unions, through full-crew laws to reduce the displacement of men by increasing the length of trains have aggravated the very tendency which they were intended to counteract. Furthermore, by discouraging the roads from running faster and more frequent trains, the full-crew laws may have reduced rather than increased the number of jobs. To the extent that the policy of control increases the cost differentials between union and non-union plants, it stimulates expansion of non-union plants and brings about a wasteful duplication of capital.

When unions permit employers to introduce technological changes only so fast as can be done without laying off men, they accentuate the tendency for machines to be introduced in periods of prosperity. Thus they accentuate the instability of

business and intensify both booms and depressions—an unfavorable result of the policy of control.

The requirement that technological changes produce no layoffs also reduces the rate of change. . . . Under conditions of competition the rate at which discoveries are put into effect may exceed the optimum rate. This assumes that investment opportunities in the community are sufficient to satisfy the desire to save. Hence there is a possibility that the policy of control (like the policy of obstruction) by retarding the rate of change will cause the actual rate to approximate more closely the optimum rate. . . . However there is no assurance that the actual rate of change may not thus be reduced as much below the optimum rate as it was formerly above that rate. The policy of control is to be distinguished from the policy of obstruction, however, in that it does not seek to prevent changes but only to retard them sufficiently to prevent layoffs. Its effect on the rate of change, therefore, is likely to be small. Consequently, the probability is great that it will cause the actual rate of change to be closer to the optimum rate than it otherwise would be. . . .

During recent years, investment opportunities have been too small relative to the community's propensity to save. Under these conditions, more rapid technological change is needed, and the policy of control, to the extent that it reduces the rate of change, is particularly harmful.

GUARANTEES OF INCOME

MURRAY W. LATIMER ¹

Guaranteed Wages

Murray W. Latimer (1901-) has long been associated with the study of industrial pensions and social security in the United States. He was a member of the Railway Retirement Board and a director of studies of old age, retirement, unemployment insurance, and annual wages.

The recent emergence of demands by organized labor for wage guarantees from employers has been correctly appraised as a trend of great significance, for these demands reflect a basic and urgent drive for security on the part of great groups of workers. But it would be incorrect to think of this drive as either new or unique; it is in the main stream of the American labor movement. That movement has been expressed in many ways and its immediate objectives have taken many forms. One objective of the labor movement has always been higher real wages; another has always been security. The drive for security in the past has centered in considerable part on tenure—on limiting the freedom of the employer to fire. The wage guarantee both protects job tenure and within its limits assures income and employment.

The current demand for wage guarantees represents a trend in the labor move-

ment in the quest for employment security. This is not to say that every labor organization attaches first importance to a guarantee of wages, nor that some do not now or will not in the future view with skepticism claims that wage guarantees by employers offer substantial contributions to employment security. The American labor movement has never been regimented. At no time has there been any single platform to which all of labor conformed. Some organizations have emphasized one objective; others have thought other ends of more importance. Neither ends nor means of various groups have always been consistent. But despite significant variations, cross-currents, and inconsistencies, there have usually been well defined and discernible trends in the labor movement.

The trend toward guaranteed wage demands, unmistakable though it is, has not had sufficient time to become deeply ingrafted in labor organization policy. Because security is of such great importance, and because the failure of an ill-advised effort to achieve security may have tremendous repercussions on the attitude of workers and on the stability of the economy, every essay at security should be subjected to critical analysis at an early stage before emotions become aroused. Such a critical analysis is the object of this report. . . .

A wage guarantee is an instrument of labor relations, the twin objectives of which are the provision of security for the worker, and the achievement by the employer of the economies which derive from good labor relations. Guaranteed wages must be defined within this framework.

¹ Murray W. Latimer, *Guaranteed Wages*, Report to the President by the Advisory Board Office of War Mobilization and Reconversion Office of Temporary Controls, United States Government Printing Office, Washington, D. C., 1947.

In the sphere of wage guarantees things are not always what they seem or what they are called. The definition should therefore provide standards by which the existence of a wage guarantee can be recognized. These standards must, however, be broad enough to cover the diversity of forms and the variety of substantive commitments which may be useful in adapting wage guarantees in different cases or to different circumstances; and also broad enough so as not to exclude plans widely divergent with respect to their merit in achieving the basic objectives.

For the purpose of this study a guaranteed wage plan has been defined as a plan under which an employer guarantees to all or a defined unit or group of his employees a wage or employment for at least 3 months. In this definition, the arrangement must be covered by a *plan*, an employer must undertake specific commitments in accordance with the plan, the commitments must *guarantee* something to *all or a defined group of his employees*, and the guarantee must cover *wages or employment*. Moreover, for a guarantee to have any meaning, the wages or employment must be assured for *some period* longer than the ordinary pay roll period. The minimum period of 3 months obviously allows for considerable latitude. The alternative possibilities of extending the assurance to all or some of the employees and of assuring all or part of full-time employment or wages also provides considerable latitude. . . .

Guaranteed-wage plans began more than 50 years ago in this country, but their adoption was not rapid until after 1933. In every year but one since 1893 there have been at least as many plans in operation at the end of the year as at the beginning. The number of plans in operation declined in 1935 as compared with 1934 as a result of the termination of plans

established under the encouragement of legislation in Wisconsin. Impetus for these plans was removed when the act had to be drastically modified to conform with the Social Security Act. More than half of the remaining discontinuations occurred within 4 years after their adoption. Plans which survive the first years of trial have a record of impressive continuity.

In general the experience with guaranteed-wage plans has been highly successful in many establishments. They have proved to be flexible instruments, adaptable to a large variety of circumstances and useful for a multiplicity of purposes. They are to be found in a variety of industries and are by no means confined to industries whose activities directly reflect consumer demand. The number of plans is greater in such industries, however, than in industries which are concerned primarily with the capital goods and other non-consumer markets.

While the survey of guarantee plans covered more than those which fall into the annual wage category, it is significant that about 90 percent of the plans pay full-time wages for the guarantee period, and two-thirds of the currently-operating plans guarantee employment for a full year at the full-time hours of pay. Also, more than one-third of the total plans now in operation cover substantially all the workers of the establishment; and of these, two-thirds guarantee employment for a full year, and three-fourths guarantee 48 weeks or more of full employment annually.

The guaranteed-wage movement as it has developed thus far is more significant as an index of practicable possibility than as a record of direct achievement. The device of guaranteeing wages is capable both of benefiting employees and producing beneficial results for employers. This is indicated by two facts gleaned from experience: (1) A substantial number of

companies managed to operate plans over a long period of time—the average period of operation of plans active in 1946 was almost 10 years. (2) The causes for discontinuance of plans lay to a far greater degree in special individual circumstances, in legislation and war rather than in depressions, competitive difficulties, and other high cost influences. . . .

The experience with guaranteed-wage plans has not afforded any substantial evidence as to what a plan with specified provisions might cost over a period of time. An employer who guarantees wages undertakes an obligation to pay the amount guaranteed regardless of whether he has enough work to cover the guarantee. A guarantee is self-defeating if it involves an employer in additional costs to the point where his ability to adjust becomes unduly limited. The probable cost of a guarantee obligation will, therefore, essentially determine whether any guarantee, or how much of a guarantee, is feasible. Moreover, since any forecast is subject to a margin of error, prudence dictates that in setting up a plan, limitations be thrown around the guarantee to insure that costs are kept within the bounds of reason.

The major danger which an employer runs in undertaking a guarantee is that of being unable to utilize productively his employees' services. That is to say, his most important risk is that of having to pay for idle time. These payments by the employer represent, in large measure, gross costs.

An employer undertaking the risks of incurring such costs, that is, such contingent obligations, can reasonably expect certain compensating benefits. The most important of these lie in the realm of industrial relations. A guaranteed wage plan will beyond question reduce labor turn-over. This would cut training and hiring

costs and perhaps workmen's compensation and other employee-injury costs. In general it would help to maintain a more efficient work force than would otherwise be the case. Independently of the results on labor turn-over, guarantees will tend to lift productivity because of the buoyant effects of a greater degree of individual economic security. In addition, the employer assuming the obligations of a wage guarantee may be able to reduce the costs by adopting measures to stabilize his labor requirements. These offsets may normally be expected to balance the gross costs or, in any event, to leave a net cost which is only a fractional part of the gross.

The net cost of a guarantee undertaking, if any, must be moderate. If it is to constitute a net gain for the workers, it would obviously have to be borne by profits or prices, and the burden, on either or both, must be of such size as not to impair the financial position or the markets of the enterprise. . . .

A prudent businessman who maintains a guarantee plan involving a cyclical risk will attempt to spread that risk over time. He will lay aside reserves in prosperous periods against the possibility of disbursement in less prosperous times. Existing law, however, places some obstacles in the path of spreading risk over a period of more than a year, since contributions to such a reserve will probably not be allowed as a cost of doing business. It would therefore be desirable to facilitate the setting up of reserve funds for employers who are willing to divest themselves of any interest in such funds. Contributions made, under proper safeguards, to a guaranteed-wage trust should be counted as a cost of doing business, thereby allowing the same tax recognition for guarantee costs as for any other legitimate business expense.

A. H. HANSEN
and P. A. SAMUELSON¹

Making the Annual Wage Work

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Will not the widespread "guaranteeing" of steady employment banish depression and stabilize business activity? For, after all, markets and purchasing power make jobs, and jobs in turn make income and markets. Therefore, why shouldn't the universal announcement of a guarantee of steady work fulfill its own command and not only lead to steady employment but do so without costing business anything?

Today most economists would probably disagree with this simple diagnosis of the business cycle and with the implied prescription for its cure. By undertaking guaranteed-wage programs and stabilization planning, individual firms can do much to iron out their seasonal and other irregular rhythms of employment. Dove-tailing seasonal products in the manner of the small-town ice-and-coal dealer, producing in slack times for inventory, cutting prices and increasing sales promotion in off-periods—all of these practices should be encouraged in order to minimize the costly economic wastes of seasonal unemployment.

But this does not mean that a single energetic business firm, or all firms to-

gether, can by a simple guarantee of wages similarly lick the business cycle and without financial costs. At least, this is the conclusion of an independent study of the over-all economic effects of guaranteed wages, made by the present writers at the request of the OWMR.

Suppose, for example, that a period of prosperity like that of the Nineteen Twenties finally comes to an end with the nearly simultaneous giving-out of such market-sustaining forces as (1) home construction, (2) foreign lending, (3) public utility and railway construction, (4) the completion of an initial public road network, and so forth.

Suppose further that population growth has begun to decline markedly because of restriction of immigration or decrease in birth rates, and that rapid technological progress is of the sort that does not require vast new capital investment and does not create great new industries like those of auto or rail transportation.

Increasingly, modern economists tend to attribute the major ups and downs in business activity to some such fluctuation in the dynamic capital investment sectors of the economy as described above. Investment by its nature fluctuates sharply; and, as workers on capital goods are thrown out of jobs, their incomes and spending are necessarily curtailed so that a secondary wave of contraction of consumption is transmitted and amplified throughout the whole economic system.

What will the effects of universal guarantee of wages be in such a situation? At first thought, the layman is apt to concentrate upon the maintenance of the workers' incomes by means of the guarantee plan and on the resulting maintenance of the demand for goods and services. If we look only at this side of the picture, we may be deceived into thinking that the depression has been stopped in its tracks.

But, so long as we stick to our assump-

¹ From A. H. Hansen and P. A. Samuelson, "Making the Annual Wage Work," *New York Times Magazine*, July 13, 1947.

tion of meager investment opportunities, it is utterly misleading to concentrate upon the wage disbursements to workers on guaranteed jobs, without at the same time investigating how these payments are financed.

Now, if we could assume that the Government was footing the bill by one of a number of well-known expansionary fiscal policies, the guaranteed-wage disbursements would indeed add to total money-spending power. But that is not at all the present question. No one in the ranks of business or labor has suggested that this be made a question of public finance. Therefore, guaranteed wages should not be confused with other quite different anti-depression measures.

Unless guaranteed wages were saddled on corporate savings—and this we do not believe possible except to a limited extent—they would represent a redistribution of purchasing power rather than a substantial net increase; a sharing of work rather than a creation of more jobs. The result: even the production of consumer goods cannot be adequately sustained by guaranteed wages.

Unequivocally, therefore, we reply "No" to the question as to whether the guaranteed wage is a panacea for the business cycle or even a major weapon in the battle for sustained full employment.

This is not to deny that in the proper place—as voluntarily determined by free collective bargaining and without the compulsion of Government—guaranteed wages may aid in the attack on economic waste. For example, if business were to set moderate reserves aside during good times in the form of a Government bond reserve, then in bad times these guaranteed-wage reserves could be added to the stream of purchasing power. Such reserve financing, in contrast to pay-as-you-go financing, would be a counter-cyclical influence tending both to fill in the valleys

of depression and to chop off the peaks of boom.

Valuable indeed is such a counter-cyclical reserve financing. But we must frankly recognize that its effect is more often to stabilize unemployment over the different phases of the business cycle than to reduce the average degree of unemployment over the whole cycle. Moreover, there are two dangers in this process if carried too far.

Saddling upon business enterprise extensive guaranteed wage commitments may discourage prospective private investment. Confronted with a new risky capital venture, the business man may decide against it if he knows that he will have to maintain for a considerable period the income of the workers he hires. We have already seen that investment is an important component of the monetary life blood of our economy. Therefore, any harmful effects of guaranteed-wage plans on investment have to be given serious consideration.

There is a second danger on the saving side. Already unemployment insurance and old-age social security are quite properly subtracting dollars from workers' payrolls to build up counter-cyclical reserves—though we should prefer to have part of the cost carried by the Treasury from general revenue. Especially in a growing economy, such reserves tend to grow larger and larger. In our opinion, it would be dangerous to use a larger and larger fraction of current payrolls to build up further deflationary reserves. The long-run problem of saving and investment may be bad enough without adding still more to the inflexible growth of saving.

Just as a well man may shorten his life by worrying unduly about death, so a nation may bring on the very depression it fears by preparing excessively against slumps through reserve accumulation.

Moderate-size cyclical reserves on an experimental basis can be approved; universal new reserves that eat into a considerable percentage of payrolls cannot.

The guaranteed wage cannot be relied upon to cure the unemployment experienced by our free-enterprise system. It cannot properly be regarded as a substitute for our social security system or for a full-employment program such as that envisaged by the proponents of the Em-

ployment Act of 1946. Indeed without an effective full-employment program to eliminate the great pre-war swings in business activity, the guaranteed wage would be drastically limited in its effectiveness or feasibility, whereas in an economic environment of fairly well-maintained levels of effective demand business men will be able to extend their guarantees and their production-stabilization planning.

SAFETY AND HEALTH

E. WIGHT BAKKE

Security in Other Conditions of Work

It is natural that wages, hours, and job security should become the matters of collective agreement. These are, even under a situation of individual bargaining, most often the explicit terms on which jobs are offered and either accepted or refused. The bargaining agent in collective bargaining is merely trying to make standards in such matters uniform at as high a level as possible. But the labor contract between an individual and his employer involves other matters which are of equal concern to each, but which are frequently "just understood." Into such a category fall matters of the conditions in the midst of which work is carried on: the nature of the job and working environment from the point of view of safety and health of the worker; the provision of, access to, and conditions of, equipment and tools needed for the tasks to be performed. These and the relations between workers, and between

workers and management are matters which help to determine the value of and compensation received for doing work for a particular employer.

A moment's thought will indicate that in general, individual bargaining is impossible with respect to such environmental factors. The conditions prevailing in the place of work are conditions common to most of those who work there. Whether they are matters solely within the discretion of management or are limited by trade agreements, the individual worker cannot bargain about them for himself alone. Any change instituted as a result of his dissatisfaction would automatically change the working conditions of the whole working force.

The union's concern so far as the maintenance of its standard terms of employment, therefore, is in the inter-plant situation. Employers maintaining less than standard environments of work are, from their point of view, in unfair competition from a cost angle with employers who maintain environments more favorable to the health and satisfaction of the workers at greater cost to themselves than the costs incurred by "sub-standard" employers.

To the workers, the rewards of work for a particular employer include not only money wages, security of employment, and a reasonable working day and week and year, but the healthiness and safety and satisfactory character of equipment of the job itself.

It is not unusual, therefore, to find that unions in making explicit the "understood" terms of the labor contract should, in order to protect the status of workers and their own standards, insist on reducing such matters to specific terms.

An examination of trade agreements discloses many references to the provision of work surroundings conducive to security from accident and illness, to the statement of the effect of absence because of accident or illness upon employment status, to the provision of benefits for victims of misfortune while working, to the respective obligations on the company and the employees with respect to the availability, condition, and provision of adequate equipment, tools, and uniforms.

Employers obligate themselves in agreements to the provision of conditions and surroundings of work which are reasonably designed to provide health and safety. Sometimes the details as to specific processes, guarding of dangerous devices, atmospheric and temperature conditions are specified. Rest periods are provided for in hazardous work designed to reduce the element of fatigue as a cause of accidents. Toilet, washroom, dressing room, eating room specifications are spelled out. Complaints on such matters are made referable to the grievance procedure. The workers assume the obligation of obedience to company safety rules and the union agrees to promote such observance through educational devices and joint operation with management on safety committees. Punishment for violations are specified.

The effect on the employee's retention

of his job or his seniority after absence because of illness or accident is frequently defined. Sick leave at full or partial pay, accompanied or not with medical benefits at company or company-employee expense is frequently provided for.

Such matters together with provisions designed to assure adequate access to and quality of tools, equipment, and uniforms, are considered essential terms of employment which should be specified as conditions upon which work will be offered and accepted in the plant by the members of the union with whom the agreement is made.

The employee's interest in these matters is too obvious to require elaboration. The employer's interest is in the realization, from expenditures on such matters, of good will, quality of employees attracted, reduction in turnover, and professional reputation which increase the profitability of his operations and the consistency of his practice with his moral and professional standards. Since most of these matters are those which traditionally have involved exclusive functions of management, some employers see in such clauses an interference with management prerogatives.

The public interest is scarcely defined in specific terms. However, since production costs and industrial unrest or peace are affected by the satisfactory or unsatisfactory solution of these matters, and since the public bears an added burden of caring for those disabled by accident or illness traceable to the employment environment, the interest is real. The amount of factory legislation bearing on standards demanded of such environments is ample evidence of public concern. Indeed the use of factory legislation is probably more important than the use of trade agreements in establishing *minimum* standards. The need for legal controls in this field is an excellent illustration of one of the basic

reasons that trade unions consider their function to be political as well as industrial, that they are not satisfied to set standards plant by plant and limit themselves to collective bargaining with particular employers.

NATHANIEL M. MINKOFF¹

Trade-Union Welfare Programs

Nathaniel M. Minkoff (1893-), Russian-born American economist, is an officer in the International Ladies' Garment Workers' Union, AFL.

DEVELOPMENT OF THE MOVEMENT

Growing preoccupation of unions with health and welfare programs is not a new departure in labor policy; this preoccupation dates back to the early days of trade-unionism in this country.

The first organizations of workers in the United States, as in Great Britain, were generally mutual aid associations, such as loan, sick benefit, or burial societies. Overt organization for collective bargaining was still forbidden by law, and these mutual aid groups, almost from the start, assumed what today would be called "industrial functions," in addition to the narrower tasks of providing the mutual aid for which they were ostensibly formed. It was these mutual aid groups which initiated the modern labor movement, and from them the trade-unions of today have derived the habit of referring fraternally to members as brothers and sisters, as well

as some of the ceremonials and rituals of initiation and procedure.

With time and favoring circumstance, the essentially industrial character of these organizations became explicit. The Philadelphia Typographical Society, for instance, organized in 1802, was incorporated in 1810 as a benevolent society. In 1833 it gave way to the Philadelphia Typographical Society whose "primary and paramount intention" was "the determination and support of adequate wages for journeymen printers." The Pennsylvania Society of Journeymen Cabinetmakers of Philadelphia (1806) was likewise formed for purely benevolent purposes. In 1829, the society constitutionally established itself "as a criterion for workmen to endeavor to settle all disputes arising between them and their employers." The Brotherhood of Locomotive Firemen and Engine-men was formed as late as 1873 as a benevolent society, and it was not until 12 years later that it assumed its role as a labor union. The Iron Molders' Union, established in 1859, operated an extensive benefit system before it assumed industrial functions. Curiously enough, all benefits were suspended by this union in 1880 on the ground that such features interfered with the industrial tasks of the organization. After a decade, however, the welfare program was resumed.

Other groups, organized in later years as labor unions in the modern sense, soon expanded their activities to include welfare programs. The Barbers' Union, set up in 1887, initiated its benefit program in 1893. The Tobacco Workers, organized in 1895, established its sick benefit program in 1896. The Plumbers' Union (1889) established its benefits in 1903. In one way or another, welfare and mutual aid programs became a recognized feature of American trade-unionism and helped greatly to give it a much needed stability in its early days.

¹ Nathaniel M. Minkoff, "Trade-Union Welfare Program," *Monthly Labor Review*, United States Department of Labor, Bureau of Labor Statistics, February, 1947, pp. 201-08, 211-12.

By the end of the First World War, however, trade-union welfare activities were definitely on the decline. The attitude of the top-most labor leadership was troubled and unfriendly. In 1930, Matthew Woll stated:

"Benefit systems, where they are still in operation, are a constant source of trouble. They are encountering all of the troubles that beset unscientific institutions. Their assessments must be raised constantly to meet rising ages, and increases of assessments are always resented. All manner of complications result. . . . Few union operations are today productive of as much woe and uncertainty as the benefit systems that remain in operation."

Daniel J. Tobin, president of the Teamsters' Union, said very much the same thing in recent years:

"Our advice to local unions is to keep away from the sick benefit and from the unemployment benefit as much as possible. . . . Local unions should not overload themselves with liabilities during these prosperous days. Build up your treasuries. Remember there are lean years ahead of us."

Welfare programs had come to be regarded as of little importance when, in the early 1930's, union leaders, in launching their campaign to organize the mass-production industries, found to their dismay that in many instances workers were reluctant to join bona-fide unions because their own "company unions" were providing them with various forms of health and welfare benefits and recreational facilities which the bona-fide unions could not match. Hence, those unions which succeeded in organizing mass-production industries had to promise their newly organized members, in addition to increased earnings and shorter hours, the continuation of the welfare features to which they had become accustomed. Thus, a number of labor unions' unexpectedly and some-

times unwillingly undertook social welfare programs quite out of line with their general outlook.

STIMULUS UNDER LITTLE STEEL FORMULA

At this point a basic change in the nature of "union welfare programs" took place. Hitherto, the term implied plans financed by the workers themselves, through regular payments or assessments; henceforth it was to mean funds and programs financed—in part at least—by the employers, in accordance with an understanding reached through collective bargaining and often embodied in the collective agreement. The limitation of wage increases during World War II under the Little Steel Formula greatly promoted this development. Beyond the 15 percent increase above January 1941 levels authorized for direct wage increases, it was possible to obtain indirect increases in form of "fringe adjustments" including employer-financed health, welfare, and vacation plans. As E. E. Witte, of the National War Labor Board, explained:

"It is clear from all these cases that the Board will not normally order an employer to institute a group insurance plan or direct the liberalization of a plan in existence. Each case, however, will be judged on its own facts, and where it is clearly necessary in the interests of a fair and equitable disposition of the dispute to require the employer to institute or liberalize a group insurance plan, the Board will so direct."

Under the pressure of the war, and in view of the high profits which industry was earning, management was not averse to this directive. As a result, union welfare programs were initiated in many segments of the trade-union movement.

PRESENT-DAY TYPES OF PROGRAMS

The type of welfare program in operation today varies with the circumstances

in the particular industry or locality in which it functions. In some instances—for example, the erstwhile Kaiser shipbuilding enterprise on the West Coast—the program is financed entirely by deductions from the workers' earnings, but is managed exclusively by the company. The Endicott Johnson Co. of Binghamton, N. Y., has a different approach: It not only assumes the entire administration of the plan, but also furnishes all the finances as well. A third type is that maintained by the Consolidated Edison Co. of New York, whereby the program is financed by contributions from both the employees and the employer, although administration is the exclusive prerogative of the company. The fourth kind—which will be discussed here in detail—is that of the International Ladies' Garment Workers' Union local unions. Here the programs are financed entirely by management, but the day-to-day administration is left to the union, subject to review of a council on which the employers are represented.

LADIES' GARMENT WORKERS' HEALTH AND WELFARE PROGRAMS

History. The International Ladies' Garment Workers' Union entered the field of welfare programs soon after the historic cloakmakers' strike in 1910. Several local unions, notably Pressers' Local 35 and Cloak Tailors' Local 9, both of New York City, established tuberculosis benefit funds, to which each member contributed a dollar a year. Workers found suffering from tuberculosis were eligible to a cash benefit of \$100, or a sojourn in the country for a minimum period of 10 weeks at the full expense of the union.

Not so long ago, it will be recalled, the needle trades constituted a thoroughly sweated industry, giving rise to the term "sweatshop." Not much attention was paid to the plight of the workers except by the weak and struggling unions

(which, single-handedly, were unable to do much), and by a few reformers. Most of the garment factories in New York City were located in the tenement slums of the East Side; building piled upon building without vacant space for admitting sunshine, light, or air. Sanitary facilities were lacking. The long hours of employment and low wages compelled many workers to use the factory as a lodging. Employers did not object to this arrangement because it saved them the expense of a watchman. There were no factory laws to observe.

Under these conditions, it was inevitable that tuberculosis should become the chief occupational disease in the garment industry. Such an environment also led to one of the most disastrous industrial catastrophes known in our country, wherein 147 young women workers lost their lives in a fire which broke out in the Triangle Waist Shop in March, 1911. It was definitely established, at the criminal trial which followed, that the owners had the factory doors (including those leading to the fire escapes) locked during working hours.

These startling facts came to light as a result of an industry-wide investigation conducted by the United States Public Health Service in 1912 in cooperation with the Joint Board of Sanitary Control. This unique institution came into being as a result of the signing of the "protocol of peace," which followed the prolonged and bitter general strike of the coat and suit makers of New York in 1910. Its main objectives were the elimination of dreaded sweatshop conditions and of fire hazards.

Louis D. Brandeis, Louis Marshall, and Hamilton Holt were the chief architects of this idea. The Board was originally administered by representatives of the employers, the workers, and the public, the latter consisting of Dr. William J. Schief-

felin, Lillian D. Wald, and Dr. Henry Moskowitz. Its medical director, the late Dr. George M. Price, succeeded several years thereafter in interesting the parties not only in the maintenance and observance of more desirable working conditions but also in the improvement of the health of the workers.

UNION HEALTH CENTER

Thus, from a small beginning involving only a few thousand workers, a huge institution today, known as the Union Health Center, was created. It is owned and operated on a nonprofit basis by the ILGWU. Housed at present in its own modern, fireproof 27-story building, it is serving the needs of the 150,000 ILGWU members located in the New York area. In 1945, it rendered no less than 164,636 medical services to 28,056 patients. During the same year, it handled a total of 11,881 disability cases, to whom it rendered 24,652 services. The institution is at present under the directorship of Dr. Leo Price, son of the founder and first administrator of the Center. It has a medical staff of about 100, with a lay staff of over 150.

From the public health standpoint, the Union Health Center is unique. It was the first institution of its kind in the country, and its director is frequently called into consultation by government bureaus and other agencies interested in public health problems.

GROWTH OF PROGRAM

In the years that followed, local unions of the ILGWU began to inaugurate first a tuberculosis benefit fund and later a limited form of sickness insurance. Both of these benefits were financed by a 35-cent monthly stamp paid by the workers. The actual amount of benefits varied, but the high point was reached in the payment of \$150 to tubercular members and

a weekly sick benefit of \$7 for a period of 8 to 10 weeks.

At the present time, the great majority of the ILGWU's 350,000 members, distributed in 420 separate local unions in 275 communities in 35 States and Canada, enjoy some form of health and welfare benefit.

New York Dress Joint Board. The largest single unit in this integrated union welfare program of the ILGWU is the New York Dress Joint Board, which includes three local unions (22, 60, and 89), with a membership of approximately 60,000. (Cutters Local 10, though part of the Joint Board, is for the present not participating in the program.)

When the collective agreement between the Dress Joint Board and the employers' associations in the New York dress industry was renewed on May 6, 1944, a new clause was included providing for a 3½-percent pay roll contribution by the employers to maintain a health and welfare program. The funds, according to the terms of the agreement, "shall be used exclusively for the members of the union and for the payment of the operating and administrative expenses thereof."

"The health fund," by further provision of the agreement, "shall be administered by the Joint Board, and the Joint Board shall determine what proportionate amount of the health fund shall be allocated for health benefit and what proportionate amount shall be allocated for vacation benefit. With respect to health benefits, the parties hereby create a council consisting of two representatives of the Affiliated Association, two of the National Association, and two of the Popular Association, and six representatives of the Joint Board of the Dress and Waistmakers' Union, which shall be presided over by the Impartial Chairman. The council shall have the right to determine the types and amounts of health benefits which the

members of the union shall receive and which, however, shall not exceed the total amount allocated by the union for health benefit. The Joint Board shall file with the council any rules and regulations relating to health benefits which it may adopt, and amendments which it may make thereto, and shall report periodically to the council the accomplishments of the health fund with respect to health and vacation benefits. With respect to vacation benefits, the parties agree that the Joint Board shall have the right to adopt rules and regulations in connection therewith and to establish the eligibility of members of the union for benefits and the amounts of benefits to be paid them."

TYPES OF BENEFITS PAID BY THE BOARD

Benefits currently paid by the New York Dress Joint Board are as follows:

1. *Cash benefit.* Members who are ill and unable to work are entitled to a cash benefit of \$15 a week for a period of 10 weeks each calendar year. It is paid upon certification by the medical department of the union (Union Health Center), and continues as long as the member is unable to work, up to 10 weeks.

2. *Hospitalization.* Members are entitled to a benefit of \$5 per day for each day of hospitalization up to 60 days in any calendar year.

3. *Surgery benefit.* The union pays every member undergoing a surgical operation a sum varying from \$10 to \$50, depending upon the nature of the operation.

4. *Medical credits.* In addition to all the above benefits, every member of the union is entitled to \$25-a-year medical service at the Union Health Center for general medical examination, special laboratory tests, or X-ray.

5. *Maternity assistance.* A \$50 maternity benefit is paid members upon presen-

tation of a board of health birth certificate. The plan is being enlarged to include stillbirths, etc.

6. *Eye conservation program.* Every member is entitled to free and unlimited eye treatment and to free eyeglasses.

7. *Tuberculosis benefit.* Members who are found to have tuberculosis are sent, at the expense of the fund, to any one of the many tuberculosis sanitariums with which it is affiliated, and are kept there until their health is fully restored. Those desiring to withdraw from membership and take care of their health independently of the fund's provisions are allowed a cash settlement of \$250. The obvious difference in cost between an unlimited stay in a recognized health institution with all costs (including regular sick benefit and personal expenses) paid by the fund, and the alternative of \$250 allowed a sick member who undertakes his own cure, is intended to deter members from asking for cash settlements and to encourage them to enter an institution where the chances for the arrest of the illness and its ultimate cure are so much better.

8. *Vacation benefit.* Every member of the union, employed or available for employment in the industry, is entitled to a cash vacation benefit ranging from \$33 to \$48, depending upon the particular craft of the worker. This sum is payable on the first of June of each year.

9. *Death benefit.* In addition to the \$150 lump-sum death benefit paid by the home office of the ILGWU, for which the individual member pays \$1 a year, most of the local unions pay an additional \$150 without any contribution from the members. Death benefits, it should be noted, are not financed from the Joint Board Health Fund, but by the members' contributions supplemented by the local treasuries.

EMPLOYERS' COOPERATION

Obviously the comprehensive health and welfare program here outlined could not have been undertaken without the security and strong organization which the ILGWU has been able to develop in the past 30 years. When a trade-union must devote all of its energies and resources in struggling for adequate wages and decent working conditions, it has neither the time nor the means to think in terms of social welfare programs. Once it has achieved a substantial degree of unionization and control over workers in the industry, it can undertake these "extracurricular" activities, which then become a legitimate part of its industrial program.

In fairness to the employers in our industry, it should be said that they, too, are entitled to credit for the inauguration and development of our welfare program. In the course of the past 30 years of collective bargaining these employers have learned to recognize a responsibility beyond providing adequate earnings and decent working conditions to the men and women in their employ. They have become acquainted at first hand with the social and economic value of human welfare.

WIDE ACCEPTANCE OF UNION WELFARE PROVISIONS

Encouraged by the success which the ILGWU has scored in the field of social welfare, many other unions have, in recent years, succeeded in incorporating similar provisions in their collective agreements. Among them are the Amalgamated Clothing Workers of America (CIO), including its New York and Chicago divisions; Federation of Dyers, Finishers, Printers, and Bleachers of America (CIO); United Furniture Workers of America (CIO); United Hatters, Cap, and Millinery Workers' International Union (AFL); Uphol-

sterers' International Union of North America (AFL); New York Hotel Trades Council; Chain Service Restaurant Employees' Union; International Jewelry Workers' Union (AFL); International Union of Mine, Mill, and Smelter Workers (CIO); and International Printing Pressmen's and Assistants' Union of North America (AFL). More recently this movement was spurred by the United Mine Workers of America (AFL), which in a recent agreement has provided for a minimum of social security for the hundreds of thousands of coal miners. Because of the grave industrial hazards to which miners are always exposed, this form of protection would have been desirable even before the garment workers and others began to enjoy it. Henceforth welfare benefits become an important issue in employer-employee negotiations. This was made clear by President William L. Green in his report to the convention of the American Federation of Labor held in Chicago in October 1946.

EFFECT OF PROGRAM ON UNION

What has been the effect of this welfare program upon the organization? Does it make for a stronger union? Definitely, yes. Among the chief factors making for the strength and effectiveness of the ILGWU have been its comprehensive benefit services, including, of course, its highly developed educational and cultural program.

In the early stages of the ILGWU, its membership was in a constant state of flux. The industry in all its branches was sharply seasonal. Shop strikes would break out on the eve of every season. The workers would obtain some wage increases here and there, only to see them disappear several weeks later. There was nothing to bind the garment worker to his union.

He would join and drop out at frequent intervals. The turn-over in membership was tremendous.

With the introduction of the benefit system conditions changed radically. Today the person who joins the ILGWU has every good reason to maintain his membership even in slack periods. He no

longer drops his membership at the end of the busy season as he did formerly, because today his membership is a form of security against illness, unemployment, accident, and death. This makes for stability, organizational strength, and effectiveness on the industrial field and gives the union real capacity for expansion.

HAZARDS OF SECURITY

SUMNER H. SLICHTER ¹

General Conclusions on the System of Industrial Jurisprudence

A few broad generalizations may be made concerning the system of industrial jurisprudence that collective bargaining has built up:

1. The very fact that the workers have had an opportunity to participate in determining their working conditions is in itself favorable to efficiency. As Mr. Justice Brandeis long ago pointed out, efficiency depends upon consent. Even though the specific rules and policies adopted in particular instances may not be ideal, the process of joint determination of working conditions at least offers the possibility of achieving greater efficiency than could be obtained under rules and conditions dictated by one side.

2. Many problems of collective bargaining have arisen because specific rules and policies have become obsolete as the result of changes in technique, markets, or other

conditions. The very fact that a rule or policy is obsolete often makes it more difficult than ever to change. Hence there is need on the part of both labor and management for a definite policy covering the change of rules, in order to guard against their obsolescence.

3. Unnecessary hardships are worked when rules are not flexible. For example, an equal-division-of-work rule which provides that work shall be divided equally "as far as practicable" can be administered much more fairly in many plants than one which simply provides for equal division of work. There is need of a definite policy to word rules so as to keep them flexible.

4. It is important to explore carefully all the probable consequences of each prospective rule. The ultimate consequences may be very different from the immediate ones because the intermediate or long-term elasticity of the demand for labor is usually much greater than the immediate elasticity. Unions which fail to notice this difference and which base their policies on wrong assumptions concerning the elasticity of the demand for labor may hurt their members instead of helping them. At least in such cases the union policies may leave the members of the union as a group worse off, though the majority who retain their jobs may be

¹ Sumner H. Slichter, *Union Policies and Industrial Management*, The Brookings Institution, Washington, D. C., 1941, pp. 575-79.

better off. Of course, if the demand is elastic and the total income of the group is reduced, the chance that any given member will be better off may not be sufficient to compensate for the chance that he will be worse off. But since the effect of higher operating costs upon the demand for labor takes time to work itself out, wage earners may fail to estimate adequately their chance of losing rather than gaining from the higher costs. In other words, they may suffer from an optical illusion created by the difference between the immediate and intermediate elasticity of demand for labor.

5. The system of industrial jurisprudence should be deliberately designed not to maintain the status quo, but to fit a constantly changing world. For example, in the short run, security for workers may be achieved by imposing obstacles to change—such as obstacles to the substitution of new methods for old—but in the long run, the security of wage earners and employers alike depends upon their adjusting their business methods to a constantly changing environment. It was natural that in the early days of collective bargaining the difference between obtaining security by restriction and obtaining it by adaptation should not have been clearly seen. The dynamic point of view is making rapid progress today.

6. The protection achieved by union rules is not necessarily a net gain to the wage earners. In so far as it involves higher costs for the employer, it also costs the workers something. Since the bargaining power of unions is limited, the increases in costs which they can impose on employers are also limited. If they choose to impose a cost in one form, say a make-work rule, they are not able to impose the cost in the form of a wage increase. Some unions have not recognized that the cost of working rules limits the wages of their own members and that it is nec-

essary for the union to economize its bargaining power by designing working rules so as to achieve the greatest gain to the union members in return for the least cost to the employer.

7. The success of unions and employers in developing a system of industrial jurisprudence which is adapted to constantly changing conditions will depend partly upon the extent to which both parties are market-minded—that is upon how carefully they consider the effect of working rules and labor costs upon the volume of employment in the plant or industry. This means that unions (including the shop stewards and members of shop committees, as well as business agents and national officers) must have a good opportunity to learn about the market problems of plants and industries—an opportunity which has frequently been lacking, especially in the case of local officers. It means also that managements must maintain a close relationship between their selling policies and their labor policies. When management itself does not promptly translate savings of labor costs into attempts to obtain a larger volume of sales (and hence to bring more jobs into the plant), unions cannot be expected to become market-minded and to be interested in the relationship between labor costs and the volume of employment. As a matter of fact, collective bargaining will produce rules which are more satisfactory to unions and the public if unions show an interest in the price policies of employers. Setting a price means striking a balance between margin and volume. From the standpoint of the business enterprise, the ideal balance is the one that maximizes its profits. If the price is put too high, however, the maximum volume of production and hence the maximum volume of employment compatible with maximum profits are not obtained. There is reason to believe that managements have

a tendency to pay too much attention to margins and too little to volume. This is partly because margins are more definite than possible changes in volume. It is also partly because time is required for demand to respond fully to a change in price. Unions have an interest that employers decide close and doubtful cases in favor of volume rather than margin. Unless managements are willing to give the benefit of the doubt to volume, they must not expect unions to be too interested in the effect of shop rules and policies upon employment.

8. Protecting the status of management and preserving its essential prerogatives have not been sufficiently definite objectives of either union or employer policy in building up our system of industrial jurisprudence. In actual bargaining, the working rules of trade unions are built up gradually one or two at a time. This leads to an atomistic consideration of their effects, which may cause their effects as a whole to be overlooked. For example, in order to prevent the employer from discriminating among union members, his discretion at every point (awarding overtime, promotions, making layoffs) may be so limited that he no longer has proper instruments for encouraging efficiency. Each of the individual rules may seem quite fair and defensible, and yet as a body they may produce an effect which no one intended and which is inimical to the interests of the workers themselves. For the workers, though they have an interest in preventing arbitrary decisions by management, also need to have the management able to maintain reasonable efficiency. If it is not able to do this, then the union's ability to obtain wage increases for its members is restricted. Furthermore, individual members of the union are able to soldier and thus to exploit their fellow workers. It is important to remember that the status of man-

agement, however, is just as essential to the success of collective bargaining as an assured status for the union in the form of a closed shop or its equivalent. Furthermore, as our analysis has indicated, the two are closely linked together, because if a union does not enjoy an assured status, it dare not permit much discretion to management.

9. The shop rules and policies of the future will be influenced by union wage policies. Sometimes unions develop their wage policies with little regard to the effect of wages on the volume of employment. When this happens, the union is under great pressure from its unemployed members and the members who fear unemployment to develop shop rules and policies designed to help absorb the unemployed. In other words, wage policies which produce unemployment tend to compel unions to develop make-work rules.

10. The most important economic problem of the country during the next generation is likely to be that of stimulating the expansion of production and employment. This problem becomes of first importance at the very time that the nation has made the encouragement of collective bargaining a matter of public policy. Collective bargaining may be so operated as either to encourage or to impede the expansion of industry. Our survey of trade union shop rules and policies leads to the conclusion that it is possible to develop a system of industrial jurisprudence that effectively protects the essential interests of wage earners without interfering with efficient management. In fact our survey indicates that in important respects trade union shop rules and policies may contribute to more efficient management. They have not always done so, but it is not necessary that the collective bargaining of the future repeat all the mistakes

of the past. Whether collective bargaining turns out to be a help or a hindrance in dealing with the outstanding economic problem of stimulating production and employment will depend in large measure upon whether unions are guided by the short-run or the long-run interests of their members. It is often said that in the long run we are all dead, but the majority in most groups of workers expect still to be alive in five, ten, or fifteen years. Conse-

quently, they have a considerable interest in the effect of union policies upon their employment opportunities over such a period. Let us make no mistake, however, about the hard facts of the matter. In a period when the encouragement of growth is a matter of great national concern, the freedom of trade unions would be jeopardized if they were to permit their policies to interfere seriously with the absorption of the new job seekers.

19. Working Time

THE SCHEDULING of times for beginning and stopping work, the work week, and other matters related to how a wage earner's working time shall be regulated is traditionally the function of management. So important is this matter to the wage earners and to the union, however, that every trade agreement contains numerous clauses setting forth the terms under which this function shall be exercised. These clauses not only define the number of daily and weekly hours to be worked at straight time and the amount of premium pay for additional hours, but occasionally set out the specific span of hours to be considered the regular daily schedule, the days and period to be considered a regularly scheduled work week. Other regulations with respect to working time frequently found in trade agreements include:

1. Guarantee of minimum hours of pay if "called in."
2. Payment for "waiting time" when work is not immediately available at the scheduled hour.
3. Limitations on management's right to require emergency work outside of regularly scheduled hours and on workers' right to refuse such work.
4. Time for meals.
5. Rest periods.
6. Vacations.
7. Holidays.
8. Sick leave.
9. Night shift premiums.

The selections which follow are concerned primarily with the establishment of daily and weekly hours, with some references to rest periods and vacations.

No fact concerning the operations of American industry and the working conditions of American workers is so clearly established as that hours of work per day, per week, and per year have steadily lessened. The average daily scheduled hours for factory workers and most others outside of agriculture have been reduced from nearly 12 in the middle of the nineteenth century to about 8 today. Weekly scheduled hours have been reduced in the same period from an average of between 60 and 70 to around 40. Yearly hours have, of course, been reduced by these changes and in addition by the growing tendency to grant holidays and vacations with pay. At the same time volume of production per capita has increased. The American Labor Movement considers this increase in workers' leisure

one of its greatest achievements, all the greater because the gain has been accompanied by an increase in the quantity and quality of goods available to the average worker, an increase in real earnings. They point to the relatively shorter hours of work for union workers as evidence of the success of their leadership in the shorter-hour movement. No one questions that labor leadership was the predominant factor in making *actual* the increase in leisure made *possible* primarily by the increasing use of mechanical slaves.

Assured by this lesson of experience, labor leaders meet the opposition to still greater reduction in working time with a mixture of confident tolerance, logical and factual argument, and militant effort. To those who contend that workers cannot have both leisure *and* the products of labor, the answer is "We *have had* both, and there is no reason why the continued increase in productivity should not be shared by American workers in the future through portions both of goods and the leisure to enjoy them. But the result will come only by eternal vigilance and continued pressure."

Few today will disagree with the workers' objectives in this striving for more leisure: to increase their physical and mental well-being through reduction of fatigue; to increase their opportunity and their capacity for self-development and participation in family and community affairs; and to spread available employment so that mass unemployment does not overtake us. Nor will many deny the necessity of such results if a democratic community is to thrive and be strong, and our industrial system is to benefit from the improvement of our human resources.

Such objectives are not achieved automatically, however, either for a particular group or for all workers in America by reducing the hours of work. If the technical efficiency of our productive system were stationary, clearly any reduction in the hours of labor applied to production would reduce the quantity of goods available unless the increase in personal efficiency per hour were equivalent to the decrease in hours of work. Even though weekly earnings were maintained by an increase in hourly rates, the increased unit costs would stimulate higher prices, and the change in relationship between purchasing power and available goods would promote the same reduction. Under such an assumed static technology the only increase in goods would come from any improved efficiency of labor attributable to greater leisure itself. As we shall see, this increase in personal efficiency is entirely possible, though its benefits are probably subject to diminishing returns as the period of work is progressively reduced. With each reduction improvement in the rate of production achieves a constant total product with greater difficulty.

Whatever may be concluded about change in the rate of improvement in the technical efficiency of our productive system, however, there is no immediate sign that *some* improvement is not still in prospect. That in itself, quite apart from changes in personal efficiency, makes possible an increase in the national product. And this increase may be distributed entirely in goods and services bought, if

hours are not reduced, and if prices are reduced in proportion to the decreased costs resulting from greater productivity. Or only a portion of the *possible* increase in goods may be realized because workers prefer to reduce the amount of time spent in producing goods. Workers cannot use goods which are not produced. They can have the increased goods produced through technical improvement and their increased personal efficiency proportional to the hours they work. They cannot consume goods which *might have been* produced if they had worked longer hours.

There is no reason in a democracy why workers should not express, through their demands for shorter hours, their decision as to what portion of the improved plane of living made possible by increasing productivity they wish distributed in leisure and what portion they wish distributed in increased consumable goods. The possible total is geared to the secular trend and cyclical movement in productivity. The shares of these two, increased goods and leisure, brought within reach by increasing productivity, are determined by the relative amounts of time spent in producing and not producing. It is well to recognize, however, that the public beyond the particular workers involved has a real interest in the workers' decision. That portion of the population might conceivably have a different opinion about the quantity of goods desired, and about prices that would bring them within reach of their purchasing power.

In any case, it is clear that the benefits of shorter hours which are the objectives of workers are closely related to the volume of goods produced; that if either a static or dynamic technology is assumed, the *actual* volume available, if fewer hours are worked, will be less than the *possible* volume if the loss of production time is not fully compensated for by increased personal efficiency and greater attendance at work scheduled, because of the greater scheduled leisure.

The same conclusion applies to the effect of a shorter work day, week, or year on the employer's unit costs, and on his consequent profit position, or on the prices he finds it necessary to charge for his goods. If a static technology is assumed, when hours are reduced, his unit costs increase in noncontinuous industries because of less complete utilization of plant, even if hourly wage rates are not changed, and in continuous industries the necessity of obtaining a larger labor force might introduce new costs. In both cases an increase in labor force might well involve a shortage of skilled operators, disturbing the most productive balance of skilled and unskilled workers. It is highly unlikely that pressure for increased wage rates to restore the customary "take home" pay would not be forthcoming to increase the employer's cost problems. These problems would be reduced in intensity in either a static or a dynamic technology by the increase in workers' efficiency and attendance at work as a consequence of more scheduled leisure, and in a dynamic technology by increase in technical efficiency.

The general public, as well as the workers and the unions, have a genuine interest in the conservation and improvement of the physical, psychological, and social abilities of workers over their lifetime, and in the distribution of available

work so that fewer men are without jobs. We have already indicated that unless the reduction of working hours is accompanied by a more than compensating improvement in man-hour productivity, the shorter work day or week in itself does not accomplish the first objective, the increase of available goods, for it either reduces the quantity of goods available for consumption or acts to increase the price of the same volume of goods. The same conclusion applies to the reduction of unemployment. At best, lacking a compensating increase in man-hour productivity, no net reduction in unemployment would be likely to take place. Some men would simply obtain more employment at the expense of less for others. This might be desirable as an end in itself, but it is not the end desired by workers. Their desire for more leisure is not accompanied by a desire for a reduction in the per capita volume of goods which they can have for living. Without an increase in man-hour productivity the enlarged working force would produce in the aggregate no more than before over a specified period of operations. Since their numbers had increased, the per capita share of goods of those employed must be less. The loss, of course, would not be net, for the burden of sharing their product with the unemployed would be reduced. The plane of living is dependent upon this volume of goods, and lacking an increase in productivity, the volume would not be improved even though the workers whose hours were reduced had their rates increased. More income bidding for the same volume of goods would increase their price, not necessarily their quantity. An increase in price reduces rather than increases the market for goods and hence is not likely to stimulate a demand which could be satisfied by expanding production and employment. The only way in which net unemployment can be reduced by shortening hours becomes identical with the only way the workers' plane of living can be improved by shortening hours, namely, the quantity of goods produced must be greater after the change than before and their price no greater or less.

The dependence of the plane of living on the volume of goods produced, the dependence of the volume upon the degree of productivity and upon the demand for goods, which is affected by the price, which in turn is affected by the costs of production as well as the demand, strongly suggest several conclusions, assuming that technical and personal efficiency remain constant:

1. That the plane of living is more nearly geared to and proportional to the total volume of production than to "take home" earnings.
2. That with no increase in productivity and no increase in hourly rates, a decrease in hours by a percentage roughly equivalent to the percentage of unemployed results in a reduction in the units of consumption goods available to the employed, but in only a slight reduction to the average citizen if those employed had been "sharing out" equally with those unemployed.
3. That reduction in hours itself unaccompanied by any increase in productivity does not stimulate greater production and employment.
4. That unless man-hour productivity increases, a decrease in productive hours must decrease the plane of living since products available for consumption must

decrease. Reducing hours can produce more leisure or better distributed leisure, but without an increase in productivity, the access to the supply of natural resources remaining constant, goods available for consumption cannot increase.

5. One possible corrective to these conclusions some may be inclined to point out. There may be removable waste in the productive system the elimination of which would be stimulated by any one of the cases listed. We have considered the elimination of waste to be one of the arts involved in the state of technical efficiency. When this art is successfully applied it would bring about a change in that state and an increase in man-hour productivity. If such activity succeeded in reducing unit costs below the previous level and this were accompanied by a decrease in unit prices, while income available as purchasing power remained the same, we would, of course, have a stimulus to greater production and employment.

The possible effects of reduction of hours, daily or weekly, the provision of rest periods, holidays, and vacations, upon individual efficiency are indicated in the selections which follow. Briefly, the effects follow from four possible results of shorter or rearranged worktime. The first is the reduction of fatigue and therefore the immediate and long-range improvement in the worker's physical and mental efficiency. The second is the provision of longer recuperative periods so that peak efficiency is more nearly restored upon resumption of work. The third is the concentration of productive efforts in the most efficient working period, cutting the periods of declining efficiency at the end of the work day and week. The fourth is the reduction of absenteeism for illness and for personal reasons. It is possible, as indicated by some of the studies, for instance, that the *actual* hours worked may more nearly approximate the scheduled hours when the latter are reduced. If with a schedule of 48 hours, absenteeism averages 4 hours, and under a schedule of 44 averages only 1 hour, the actual working hours in the first case are 44 and in the second case 43. And in the latter case the more nearly "full force" during the plant's operations might very well provide as great a total product in 43 as in 44 actual hours, that is, in 44 as in 48 scheduled hours.

Several conclusions are strongly suggested by the previous discussion if man-hour productivity increases as a result of shortened work days or weeks. And these conclusions are relevant to the distribution of the results of an increase in productivity which precedes as well as that which follows a reduction in hours.

1. A reduction in hours preceded or followed by an increase in productivity, if accompanied by a wage increase proportional to the increased productivity, may result in an increase in the plane of living, but is unlikely to provide the opportunity for the employment of the unemployed and may even result in still further curtailment of employment and the return of the plane of living to its former level if costs are increased by the process.

2. If when productivity is increased and hours are reduced, the reduction is attended by an increase in wage rates less than proportional to the increased productivity, an increase in production and employment and an increase in the

plane of living is made possible through a price reduction following a decrease in unit costs, and its probable effect upon consumers' demand.

3. The reduction in working time, therefore, does not affect the plane of living and employment as a direct cause. If the reduction is preceded by an increase in man-hour productivity, its effect depends on the wage increases accompanying it, the consequent change in unit costs, the reflection of changed costs in changed prices, and the resulting effect on consumers' demand. If followed by an increase in man-hour productivity the effect of the reduction also depends upon the degree to which wage changes accompanying it absorb the potential beneficial effect upon unit costs, prices, and demand.

The selections in this chapter are designed to clarify the objectives and methods involved in the shortening of hours, to suggest the relevance of hours of work to efficiency, and to provide a basis for thought concerning the economic effects of hours regulation.

OBJECTIVES AND METHODS

J. FREDERIC DEWHURST
and ASSOCIATES¹

Trends in Hours of Work

J. Frederic Dewhurst (1895-) is a member of the Advisory Council of the National Industrial Conference Board, Chief of the Division of Economics of the United States Chamber of Commerce, and economist for the Twentieth Century Fund.

These estimates show a decline in the customary work-week in agriculture from 72 hours in 1850 and 1860 to less than 53 hours in 1940, with the sharpest decline coming after 1910. The standard work-week in nonagricultural pursuits declined by more than a third—from 69

hours per week in 1850 to 44 hours in 1940. Estimated actual working time (i.e., after allowing for part-time operations as affected by the phase of the business cycle in each year) for nonagricultural occupations fell from 68 hours per week in 1870 to 41.7 in 1940.

The average actual working time for agricultural and other occupations, weighted in accordance with the relative importance of each in employment of labor, declined from 70.6 hours in 1850 to 43 hours in 1940. This downward trend represents an average decline per decade of three hours in the length of the work-week over the entire 90-year period. For the last 30 years of the period, the decline averaged five hours per week. In fact, average working hours have fallen about as much since 1910 as employment has increased, so that the 47 million workers employed in 1940 were working a smaller aggregate number of man-hours per week than the 37 million persons working in 1910.

¹ J. Frederic Dewhurst and Associates, *America's Needs and Resources*, The Twentieth Century Fund, New York, 1947, pp. 20, 21, 23.

Now that the pressures of war production, which brought an increase in working hours, have passed, it is reasonable to expect this downward trend to resume and to continue at least over the next decade or so. It seems likely that we shall continue to accept the fruits of rising productivity partly in the form of more goods and services and partly in the form of more leisure.

Past trends and current tendencies provide some basis for judgment as to what continuation of this long-term trend under conditions of high-level activity will mean in terms of working hours in 1950 and 1960. In view of the steady decline over the past several decades, it seems conservative to assume that standard hours in nonagricultural pursuits will fall from an estimated 44 hours per week in 1940 to 41 in 1950 and to 38 in 1960. Customary hours in agriculture could easily decline from slightly above 52 in 1940 to 50 in 1950 and to 48 in 1960.

In terms of a weighted average for the entire labor force, the average standard work-week would be 42.5 hours long in 1950 and 39.7 hours in 1960, compared with 45.4 in 1940. This would represent a decline of 2.9 hours in the present decade and a further decline of 2.8 hours in the 1950-1960 decade. Under these assumptions, the current goal of the standard 40-hour week would not yet be attained by 1950, even for nonagricultural occupations, but the average of standard hours for all occupations would slightly better that goal by 1960.

FUTURE WORKING HOURS

In translating these estimates of standard hours into probable actual hours of work, it is necessary to estimate how much working time of employed workers would be lost because of temporary-plant

shutdowns, part-time operation and occasional lost days. These factors cause the actual work-week always to be shorter than the standard—often by as much as two or three hours or more. Another factor which tends to reduce the *average* length of the work-week for the year is the growing tendency to allow for paid vacations in labor contracts. A two-week vacation with a 40-hour week would mean a loss of 80 work-hours during the year—an average of over 1.5 hours per week, or nearly 4 per cent of the standard work-week.

In estimating actual hours for 1950 and 1960, it has been assumed that the two-week annual vacation, estimated to apply to one quarter of the working force in 1940, would apply to about half the employed labor force in 1950 and would become universal by 1960. It was further assumed that lost time for reasons other than vacation would be less than one hour per week in 1950 and about half an hour per week in 1960, which would mean a smaller amount of lost time than at almost any time in the past.

ESTIMATED EMPLOYMENT

Weekly Hours, 1850-1960

<i>Year</i>	<i>Average weekly hours</i>
1850	70.6
1860	68.7
1870	66
1880	65
1890	63
1900	60
1910	57
1920	51.9
1930	47.2
1940	43.0
1944	46.7
1950	40.8
1960	37.7

On this basis, it was estimated that at high levels of economic activity in 1950 the actual work-week would average 40.8 hours for the entire labor force, as compared with the standard of 42.5 hours; in 1960 it would be 37.7 hours, or 2 hours less than the standard of 39.7 hours. These compare with an estimated standard week of 45.4 hours in 1940 and an actual work-week averaging 43 hours.

SIDNEY and BEATRICE WEBB¹

Employers and Trade Unionists Consider the Normal Day

... In a textile mill, a coal mine, a shipbuilding yard, an engineering firm, or a great building operation it is economically impossible to permit the individual workman to come or go as he feels inclined. Each worker forms part of a complex co-operative process, needing for its proper fulfilment an exact dovetailing of the task of every machine and every "hand" in the work as a whole. To arrange particular hours of labor to suit the varying desires, capacities, and needs of the different operatives, would be obviously incompatible with the economical use of steam power, the full employment of plant, or the highly organised specialisation brought about by division of labor. There is no longer a choice between idiosyncrasy and uniformity. A common standard, compulsory in its application, is economically inevitable. The only question

is how and by whom the uniform rule shall be determined. In the absence of collective regulation, whether in the form of Legal Enactment or Collective Bargaining, this uniform rule is naturally made by the employer. And it is a special aggravation of this subordination, that, under the circumstances of the modern capitalist industry, the employer's decision will perpetually be biased in favor of lengthening the working day. With regard to his domestic servants, the capitalist is free to determine the amount of toil solely with a view of keeping them in the highest possible efficiency. But the same man investing capital in expensive machines, worked by power, finds, even when he pays by the piece, a positive profit in every additional moment that his costly plant is being employed. Competition is always forcing him to cut down the cost of production to the lowest point. Under this pressure other considerations disappear in the passion to obtain the greatest possible "output per machine." ...

Now, if Trade Unionists believed ... that freedom to work longer hours invariably, or even usually, meant a corresponding increase of income,—we doubt whether there would have arisen any general movement in favor of limiting the hours of labor. But, rightly or wrongly, Trade Unionists are convinced that irregular or unlimited hours have an insidious influence upon wages, first upon the Standard Rate and ultimately upon the amount earned by each man per week.

This conviction springs from the personal experience of the manual working wage-earner. At any Trade Union meeting where the hours of labor are discussed, it may happen that a young and energetic member will suggest that he would prefer a larger income to increased leisure. But one old member after another will get up and explain that as a young married man he had felt the same, but that expe-

¹ Sidney and Beatrice Webb, *Industrial Democracy*, 1920 ed., reprinted by permission of the executors of the late Lord Passfield, Longmans, Green and Company, Ltd., London, 1926, pp. 327-28; 330-33.

rience of workshop life had taught him that "what was gained in hours was lost in rates"—an assertion which finds immediate and unhesitating confirmation from the bulk of the meeting. If after the meeting the visitor argues the point with the leading men, and suggests that their personal experience may not warrant so large a generalisation as that a lengthening of hours will necessarily lead to a reduction of the rate of payment per hour or per piece, they will retort by asking, why it is that Royal Commissions and official statistics are always laying bare this almost universal coincidence between long and irregular hours, low rates of pay, and small weekly earnings. Nor will they fail to give an explanation, based on actual experience. "Our members," they will say, "look on thirty shillings as a fair week's wage. If they make it, they are content; if they don't make thirty shillings, they come to the branch and complain. When a master increases the hours, say from fifty-four to sixty, it seems at first a clear gain to the men, who make more money. Presently, on some excuse, the foreman announces a ten per cent cut in rates. The men grumble, but as most of them will still make thirty shillings a week, they put up with a reduction against which they would certainly have come out, if it had meant their only making twenty-seven shillings. After a time the weaker men find they can't keep up their output for such long hours. In a few months, the average weekly earnings of the shop will have dropped, and the men will be wearing themselves out for even less money at the end of the week than they had before. Again and again we have seen this happen, and no amount of middle-class theory will make us believe it is not so."

The Trade Union official who has read his economic textbook will put the argument in more systematic form. When an employer engages a laborer at so much a

week, the length of the working day clearly forms an integral part of the wage-contract. A workman who agrees to work longer time for the same money underbids his fellows just as surely as if he offered to work the same time for less money. He sells each hour's work at a lower rate. Among all time-workers, therefore, who are paid by the day, week or month, the insistence on a Normal Day is a necessary element in the maintenance of their Standard Rate.

Where piecework prevails, or where the time-worker is paid by the hour, the case is, to the Trade Unionist, no less clear. At first sight it would seem that liberty to work for longer hours leaves the Standard Rate unaffected, whilst it increases the amount of the weekly earnings of industrious men. This seems so obvious to the middle-class mind that employers have for generations been honestly unable to understand why a pieceworking Trade Union should concern itself about the hours of labor at all. According to the Trade Unionists, this is to ignore the plain teaching of economics, as well as the experience of practical men. To them it seems obvious that the actual earnings of any class of workers are largely determined by its Standard of Comfort, that is to say, the kind and amount of food, clothing and other commodities to which the class has become firmly accustomed. It would not be easy to persuade an English engineer to work at his trade for thirteen shillings a week, however excessive might be the supply of engineers. Rather than do such violence to his own self-respect, he would work as a laborer, or even sweep a crossing. On the other hand, however much in request a Dorsetshire laborer might find himself it would not enter into his head to ask two pounds a week for his work. There is, in fact, the Trade Unionist asserts, in each occupation a customary standard of livelihood, which

is, within a specific range of variation, tacitly recognised by both employers and employed. Upon this customary standard of weekly earnings, the piecework or hour rates are, more or less consciously, always based. If there is no limit to the number of hours that each man may work or the employer may require, some exceptionally strong men, able, if only for a few years, to work unceasingly from morning till night, will earn an income far beyond the customary standard of their class. In any bargaining about the Piecework List these large earnings will be quoted by the employer as typical of what every workman might do if only he were industrious, and will be urged as grounds why a reduction in the rate is only reasonable. Nor is this merely a question of successful argument. The exceptional men themselves will not be inclined to hazard, by any dispute, what is to them ample livelihood, and will oppose any attempt on the part of the Union to resist reductions or apply for advances. The hours thus exceptionally worked tend, therefore, insidiously to become customary for the whole trade, and the piecework rates are gradually lowered so as to yield, on the longer hours, a weekly income corresponding to the standard of expenditure to which the class is accustomed. The ultimate result upon the Standard Rate of leaving the hours of labor unlimited is accordingly the same in the case of payment by the piece or hour as it is in the case of payment by the day or week. If, as the Trade Unionists contend, unrestrained competition among the individual operatives tends to lengthen the working day for all alike, it also insidiously lowers the rate of remuneration for the work done. The men who have started longer hours gradually find themselves earning no more than they had formerly done in the customary day, whilst all the rest dis-

cover that they can only maintain their old wages by similarly increasing their working time. Thus the whole class gives in return for its customary livelihood increased labor and energy, involving greater wear and tear, and the weaker members, unable to keep up the strain, are forced down to a lower level of subsistence. The same arguments, therefore, which lead the Trade Unionist to insist on a definite Standard Rate, impel him, quite apart from any advantage to be gained from increased leisure and irrespective of the system under which he is paid, vigorously to uphold the Normal Day.

SAMUEL GOMPERS¹

Advantages of the Eight-Hour Day

Progress in establishing the eight-hour day has been an advantage not only for wage-earners but in promoting industrial progress. There is general agreement among the medical men that poisons of fatigue caused by over-work and lack of sufficient time for recuperation are causes of physical and mental inefficiency. Shorter hours stimulate inventive genius by making necessary the introduction of improved machinery and tools in order that human labor power may be used more effectively. The shorter work-day, with the attendant readjustments, invariably results in great production. Long hours of labor go hand in hand with low wages. I have frequently pointed out this fact that if long hours and low wages were

¹ Taken from *Seventy Years of Life and Labor* by Samuel Gompers, published and copyright by E. P. Dutton & Co., Inc., New York, 1925, Vol. I, p. 309.

the barometer of commercial and industrial prosperity, China would stand first in the list.

AMERICAN FEDERATION OF LABOR¹

Shorter Workday— Its Advantages

It is an accepted principle that the shorter workday is a fundamental step in the betterment of the workers. The shorter workday affects the length of life, the health, the standards of life, and, in fact, every phase of the lives of the workers. The wage-earner whose hours of labor are decreased goes to work and comes from work at a different time than before, and consequently comes in contact with people whose habits of living are different. From contact with these people of greater leisure he establishes new ideals. He has a greater number of hours in which to rest, revive his energies and devote to recreation or the development of the mind. Thus the shorter workday makes of the worker a different person, a person of greater physical endurance, greater vitality, higher ideals, and consequently a person who will not be satisfied with the old standards of long hours of work.

The improved methods of production which always follow a reduction in the hours of labor increase the productive power of the worker and consequently he is in a position to demand and receive higher wages. Invariably every decrease in the hours of work per day is accompanied or followed by an increase in wages. The

shorter workday movement is to secure to the workers greater material advantages. It is an important movement in conserving national vigor and health and in guarding against those tendencies that undermine true national power. . . .

Because of the far-reaching importance and effect of the shorter workday upon the material, physical and mental conditions of the working people, we cannot too strongly impress upon all wage-earners the necessity to concentrate their chief effort to secure the shorter workday—the general application of at least the eight hour day.

MATTHEW WOLL²

The Shortening of Hours

Matthew Woll (1880-) is vice-president of the AFL. His union is the International Photo-Engravers Union.

Inherently related to the problem of enlarging consuming power is the shortening of the working week and working hours. It is the very essence of sound co-ordination. With productive capacity so greatly increased, through discovery, invention, and mechanization, and with a less rapidly increasing consumption, we shall have to choose between employing a relatively small number of persons in industry on the present hours or a larger number on shorter hours. As we come to realize what this means, there will be a universal demand for a further reduction of the work-week and work-day, so that

¹ "Executive Council on the Shorter Workday," *The American Federationist*, March, 1916, pp. 181-82.

² From *Labor, Industry and Government* by Matthew Woll, copyright 1935 by D. Appleton-Century-Company, Inc., reprinted by permission of Appleton-Century-Crofts, Inc., pp. 159-70.

work opportunities may be spread as well as earning capacity among our citizens. In point of fact there are a number of prominent American industries which have adopted the six-hour day to spread employment. The results have been so much more successful than they have anticipated that it will be a part of their permanent industrial policy. . . .

The effort of labor to shorten the work-day and work-week has played a historic role in the development of the American labor movement. American labor organization came into being early in the nineteenth century, with an appeal for the enactment of the ten-hour day. It emerged into the period of its adolescence in an advocacy of the nine-hour day. Toward the close of the century the movement came to maturity with its advocacy of the eight-hour day. In our time labor has thrown the weight of its influence in behalf of the six-hour day or the thirty-hour week. If one will trace the history of labor during these respective periods, it will be found that the movement for the shortening of working hours came on each occasion at an important turning point in labor history and constituted a significant piece of labor strategy. . . .

In the first place, within the hundred years which have elapsed since the introduction of the factory system into American industry there has been a phenomenal increase in the introduction of machinery. The worker today has forty times as much horse-power at his back as did his fellow worker of a century ago. His capacity for production has increased many-fold. Indeed it has sometimes been observed that in addition to the 125 million people who constitute the population of the United States, there are no less than 12 billion mechanical slaves. . . .

But what is more, this very productiv-

ity, which has made it possible to transform our civilization, has made the average worker more dependent than ever upon the machine for his employment and also more dependent upon the contingencies of consumer demand for the operation of the machine. It is true to say that with the vast development in productive equipment man can produce more and more with less and less of human labor. This is at once a source of great disturbance to those charged with the problems of providing work opportunities for a vast group in our population and it is a subject of concern to those who are interested in the preservation of wage standards, for wages must be severely deflated if the labor is to compete with the high productivity of the average machine.

Labor early recognized also that the economy of the machine would inevitably bring about labor displacement. Technological unemployment is but a new phrase for an old fact. . . .

Labor . . . recognized that unless some curbs were placed upon its employment in terms of the regulation of working hours, the production of machines would presently destroy the work opportunities for countless American wage-earners. Thus it is that we find that labor's first concern for the ten-hour day had a two-fold purpose; first, to provide a wider measure of leisure for workers who in those days were accustomed to work from sunrise to sunset and beyond; and, second, the introduction of controls on the operation of the machine itself.

As machine technology improved and new devices were added and the administration of factories made more orderly and scientific, labor again faced the problem of a productivity which would be unlimited if not subjected to some control. The movement for the eight-hour day,

besides its cultural and educational appeal, represented an effort to cope realistically with the problem of productivity. When during the period of the Great War and subsequently labor again faced the problem of a productivity which was greatly outstripping the capacity to consume, labor proposed the five-day week and later the thirty-hour week, as a device for spreading employment upon all those who were able and willing to work. While it is true that the thirty-hour week was not adopted, it is true that it became the central focus around which the National Industrial Recovery Act was built. Indeed, it is accurate to say that the Recovery Act itself was a compromise measure in an effort to offset the growing demand for the thirty-hour week.

At the San Francisco Convention . . . the subject of the thirty-hour week was again presented and the following recommendations of the Committee reporting on this subject were adopted without dissent as the objective of labor policy.

"Your Committee recommends that this convention strongly reaffirm its endorsement of the five-day, six-hour work week and in doing so record itself in advocacy of and as proposing to the country the universal adoption without delay of this program. We further recommend . . . that such reduction in labor hours should carry with it no reduction in weekly pay. We further recommend that this objective of the six-hour day and five-day work week should now be declared by this convention to be its paramount purpose, and that the officers of the American Federation of Labor should be directed to spare no effort in giving scope and direction to this program and in enlisting the support of all the people in its behalf.

"Mindful also of the thirty-hour work week legislation introduced in their re-

spective Houses by Senator Black of Alabama and Representative Connery of Massachusetts, and which was passed by the United States Senate but failed of consideration by the House, your committee now desires to urge on this convention the timeliness and compelling need of having the five-day, six-hour work week written into the laws of our land. We therefore recommend that the Executive Council be directed to spare no efforts to have legislation enacted that will give mandate and vitality to the thirty-hour work week and that they be invested with discretionary authority to do the things best calculated to achieve this end. . . ."

There are nearly eleven million still unemployed. Under the Codes of Fair Competition the average hours of labor are now approximately forty. By a simple process of arithmetic labor arrives at the conclusion that if the 23 million employed wage and salaried workers work 41 hours per week it represents 943 million man hours per week. If this work is to furnish employment for all the 34 million workers, it will mean a drastic reduction of 28 hours each per week. The labor case therefore is not built on sentiment but on statistics. It is built in point of fact upon labor practices which run back a quarter of a century. In the hatting industry for as long a period as twenty-five years, it has been the common practice in the hat shops to permit no worker to work a maximum number of hours as provided by law until everybody in the shop has worked a minimum number. The process of dividing work was itself a device suggested by labor to provide for a spread of income and employment opportunities. What labor has done in the hatting industry and other miscellaneous trades as well as the building and heavy industries it is now proposing should be done as part of a national program.

INFORMATION SERVICE¹

The Thirty-Hour Week

Labor's advocacy of shorter hours of work as a means of eliminating unemployment and restoring prosperity is meeting with considerable favor as well as opposition. The most advanced position taken by labor is the demand for a six hour day and a 30 hour week. We review here the most significant arguments for and against this proposal.

ARGUMENTS AGAINST THE PROPOSAL

In the first place those who oppose this measure insist that although a universal 30 hour week would increase employment it would be a work-sharing proposition and thus the chief burden of reducing unemployment would fall on those who have jobs. Production costs would increase because the output per man could not be increased sufficiently to warrant the same pay for 30 hours as for longer hours. They admit that in connection with the reduction of daily hours from 16 to 12, 10, nine and eight hours labor costs have been reduced, but they attribute this result to the fact that labor used in connection with machinery has produced enough to permit the payment of wages for eight hours as high as, or higher than, for the longer periods. But they infer, if they do not insist, that reduction to six hours per day and 30 per week would not result in a sufficient increase in production to permit the same wage for six hours as for eight.

The Brookings Institution has reported that in 1929 hours averaged 50 per week and varied from 44 to 60 in different industries. Under this regime the national

income amounted to about \$665 per person, or \$2,660 per family of four persons, if the income had been distributed equally. It is said that if productive facilities had been used to full capacity the figures would have been about \$800 per person, or \$3,200 per family. . . .

The opponents of the 30 hour week not only insist that production costs would be increased but that, as a result, prices would increase and therefore decrease the purchasing power of wages. Thus labor might be worse off than it was before the reduction in hours, particularly if general production were less in volume. Furthermore, in industries where labor costs are unusually high, such industries might be penalized to such an extent as to create more unemployment. Thus an inflexible application of the 30 hour week to all industries might bring effects opposite to those intended.

Furthermore, if the 30 hour week raised industrial prices the farmers would be put at a disadvantage as purchasers of industrial products unless the farmers could get prices high enough for their products to offset the rise in industrial prices. Obviously the outcome would depend on whether the income of the great majority of workers in industry increased sufficiently to enable them to pay the farmers the higher prices.

In the case of regulated industries such as utilities, it is said that rates would have to increase to offset greater labor costs, unless the volume of business and earnings increased so that the greater labor costs could be absorbed. It is possible, of course, that reduction of inflated investment values and compulsory lowering of rates on investment might absorb the higher labor costs without an increase in service rates.

The effect of higher labor costs on the foreign trade of the United States would tend to decrease exports because the

¹ From *Information Service*, May 23, 1936. Reprinted by permission of The Federal Council of the Churches of Christ in America, Department of Research and Education.

United States would be a high priced market in which to buy. If exports fell off employment would be less because exports are relatively very important in certain industries. The tendency to decreased exports could only be offset by increased efficiency and lower production costs.

BETTER PRODUCTION AND DISTRIBUTION

Most of these difficulties arising in connection with the inauguration of the 30 hour week its opponents predicate on the continued operation of the industrial system in accordance with traditional methods. There are those who contend that much better results might be attained if greater use was made of productive facilities and if there were a better distribution of income. To work productive facilities only 30 hours a week under present conditions would be a vast waste. If productive facilities were used 12, 18 or 24 hours a day by shifts of workers, more workers could be employed, or possibly all workers could be employed, and so much more could be produced that everybody could have a standard of living much higher than any we have ever had.

For example, one concern which had a market for all the products it could manufacture in 24 hours a day with three eight hour shifts of workers found during the depression that by inaugurating four six hour shifts it could employ 20 per cent more workers, pay the workers the same wage for six hours as for eight and make greater profits. The same wages could be

paid for six hours as for eight because the workers produced enough more to earn them. The larger volume of production decreased unit labor costs and overhead cost and permitted as large or larger profits. Furthermore, the company could find a market for its larger production. If the larger market was obtained by a reduction in prices, the consumers also benefited. This arrangement applied a principle which might well be incorporated to a greater extent at least, throughout the economic system. The more efficient an economic system is made the better the results that can be obtained by application of the principle.

Other advocates of a much lower work week hold that it would require the operation of a whole industrial order with the same system as a good manager operates a factory. Every industry of an economic system is like a department in a factory. A manager who does not know how to coordinate his departments is a poor manager. The productive process must run smoothly from the time the raw materials come in until the finished goods are ready for the market. If the manager could make during a 30 hour week all the goods he could market, he would be a poor manager if he did not shut down during the remainder of the week. If an economic system properly managed could produce all that people want during a 30 hour week, why work more, except to store up a surplus?

HOURS AND EFFICIENCY

J. DOUGLAS BROWN
and HELEN BAKER ¹

Conclusions on Optimum Hours of Work

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With the rapid changes which have been made in recent months in the hours schedules employed in war industries, it is reasonable to expect a wide range in judgments as to optimum hours of employment. Among 140 companies in various industries employing 2,000,000 men and women in hundreds of plants throughout the country there probably exists the full gamut of possible conditions affecting the best adjustment of individual hours, labor supply, training time, and supervision. The striking fact is the high degree of consistency of judgments on several significant aspects of the problem. This consistency is all the more impressive

when occurring in reports transmitted entirely independently by executives in all parts of the country.

1. Optimum hours of work are approximately 8 per day and 48 per week. An overwhelming proportion of executives expressed the judgment that an 8-hour day and 48-hour week were the optimum hours per worker for maximum, sustained production in war industries. The number favoring the 48-hour week was more than five times the number favoring any other particular workweek. The table shows the spread of opinion, with 40 hours as the minimum and 60 as the maximum mentioned. The variation in optimum within this range depends on a number of factors, principally, the physical effort involved, the speed and intensity of the work, and the physical capacity of the workers. Opinion seems to be unanimous that hours less than 40 per week do not increase individual productivity and that hours above 60 a week definitely decrease productivity and increase absences and accidents.

The optimum hours of work for men are more likely to range above than below 48 when the work is light and working conditions are good, and particularly if a man can set his own pace.

2. Opinion and experience both indicate a lower optimum for women than for men. Physiological limitations and domestic arrangements make it difficult for women to work more than eight hours a day. Domestic arrangements frequently interfere with a regular six-day week. Under favorable conditions of work, the 48-hour week is not likely to be detrimental to a woman's health. Taking into ac-

¹ J. Douglas Brown and Helen Baker, *Optimum Hours of Work in War Production*, Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton University Press, Princeton, N. J., 1942, pp. 20-22.

OPINIONS OF EXECUTIVES IN 128 COMPANIES

Covering Optimum Weekly Hours of Work for Male Production Workers

Weekly hours considered to be optimum	40	44-45	48	48-50	52-55	56	58	60
Number of companies	12	6	69	13	13	5	2	8
Percentage of companies	9.4%	4.7%	53.9%	10.1%	10.1%	3.9%	1.6%	6.3%

count household and family responsibilities, however, the 40-hour week is more nearly the optimum for women industrial workers.

3. Workers need one day of rest in seven. Opinion is strongly against the seven-day workweek, and experience has proved the soundness of this opinion. Companies which have employed workers on a seven-day week, even for a short time, have observed a decrease in productivity, an increase in accidents, and a sharp increase in absenteeism. The seven-day week so invariably results in ill-effects on both productivity and employee health that many companies question the advisability of seven-day operation of a plant until enough workers can be recruited and trained to make up an extra shift. Other companies feel that, considering the labor shortage, the best use of the available man power is in three shifts of 48 hours each, with Sunday used regularly for maintenance work and to relieve "bottle-necks" in production.

4. In any upward change in hours, special attention should be given to attendance and safety. Experience reported indicates an invariable increase in absenteeism when hours go over 48, and a probable increase in accident frequency. In so far as other factors affecting this increase can be controlled, absences and accidents may be kept within reasonable bounds even with longer hours. Attention to the health

of the workers, more adequate housing, assistance in caring for the children of working mothers are all matters which may reduce absenteeism and turnover. The reduction in accident frequency in a few companies as hours were increased and employment expanded shows the excellent returns from improved safety engineering even under circumstances normally resulting in an increase in accidents.

5. The need for longer hours should be made clear to the employees and the results in terms of productivity given to them regularly. American workers are eager to help provide essential war equipment and materials. However, a sudden change to considerably longer hours, and perhaps to a new job or a new work schedule, is not easy. Trade unions are in many cases urging their members to cooperate in every possible way and work as long hours as necessary in war production. It is considered a responsibility of management, however, to determine what hours in the long run result in maximum production and to keep the employees informed regularly on their production records. In general, keeping employees informed of the company's contribution to the war effort, and in particular, providing bulletins or charts showing production in relation to quotas, helps to keep employees reminded of the importance of

their own work in the total defense effort and encourages sustained individual productivity.

6. In determining optimum hours for maximum productivity, the length of the emergency period must be considered. American industry has already found that hours over 60 per week do not result in proportionally increased production except for short periods of time. British experience after Dunkirk proved this even more conclusively. The results of excessive overtime on the workers' health and mental condition show up quickly in lost time and lowered efficiency. Industry has recognized that optimum hours must be set in terms of months and years, rather than on the basis of a few weeks' production. Although the immediate situation may require maximum production from workers already employed, the probable duration of the war makes it imperative for American industry to hire and train additional workers just as quickly as possible to permit the reduction of weekly hours to a level that can be maintained effectively by the majority of our workers. The consensus of opinion based on American experience under American conditions of work is that this level is approximately 48 hours a week. The conclusion which must be drawn is that the training programs for war industry must be tremendously enlarged and accelerated.

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¹ From A. C. Pigou, *The Economics of Welfare*, by permission of The Macmillan Company, publishers, London, 1929, pp. 466-67.

Overwork from the Employers' Point of View

Employers often fail to realise that shorter hours would promote efficiency among their workpeople, and so would redound to their own interest. But 'the principal thing on their side—except in firms which possess a practical monopoly in some department of industry, and so expect to retain the same hands permanently, is the lack of durable connection between individual employers and their workpeople which makes it to the employers' interest to work longer hours than are in the long run to the interest of production as a whole. This point was well brought out in some remarks of an employer who has successfully undertaken many schemes for the welfare of those whom he employs. "The employer as such," he said, "is not primarily interested in keeping labour in excellent condition. What he wants is a sufficient supply of efficient labour to meet his immediate demands; and, though ultimately this supply will be curtailed unless the whole nation allows a margin for wear-and-tear and for the stimulation of progressive efficiency, he cannot afford, under our present competitive system, to take a very long view. He can act with others, but not much in advance of them. In so far then as he represents immediate and limited, rather than ultimate and general, interests, his economic outlook must stand in marked contrast to that of the nation as a whole." This identification of the employers' interest with immediate, rather than with ultimate, output is especially important for the following reason. Where mobility and trade union organisation are imperfect, and where, therefore, as will be

shown when we come to discuss "unfair wages," there is some range of indeterminateness in the bargain between an employer and his workpeople, the employer's bargaining power, as against his workpeople, is greater in the matter of hours of labour than it is in the matter of wages. For, whereas a workman striving to get better wages has only, as it were, to lift his own weight, it is, as a rule, impossible, for technical reasons, that any concession about the hours of labour should be made to him that is not general in character, and therefore, less willingly granted. Moreover, if an employer succeeds in exploiting his workpeople in the matter of wages, the poverty, which he thus induces in them, will often make them *willing* to work for longer hours. It follows that, when exploitation is present at all, it is extremely likely to make itself felt in hours of labour too long for the best interests of the national dividend. The effect will be bad everywhere, but especially bad where the persons affected are women and young persons, whose aggregate efficiency throughout life is liable to suffer greatly from overstrain in youth.

NEW YORK STATE DEPARTMENT OF LABOR ¹

Hours of Work, Health, and Efficiency

The available evidence on the relation of hours of work to health and efficiency consists largely of measurements of fa-

¹ State of New York, Department of Labor: The Division of Women in Industry and Minimum Wage, *Hours of Work in Relation to Health and Efficiency*, August, 1941, pp. 5 ff., 41 ff., 49 ff., 60 ff., 66 ff., 75 ff., 87 ff.

tigue. The Health of Munition Workers Committee defines fatigue as "the sum of the results of activity which show themselves in a diminished capacity for doing work." Fatigue is normally experienced at the end of a day's work or any prolonged period of continuous activity. Such fatigue is dissipated by the change of activity which takes place at quitting time and by the recuperation afforded by the night's rest. Excessive fatigue implies, among other things, a cumulation which results from overwork and a shortened period for recuperation. Insofar as excessive hours of work are responsible for abnormal fatigue, observations on the effects of undue fatigue furnish indirect evidence of the effects of excessive hours of work.

Indications that fatigue can have a harmful effect on the living organism, whether man or the lower animals, have been noted by physicians in their experience with patients and by pure scientists in laboratory experiments with animals. The tired individual suffers mental deterioration and succumbs to illness more readily than the normally rested one. . . .

Because of our failure so far to detect any characteristic pattern in the physiological state produced, measurement of fatigue must be in terms of indirect effects in relation to the isolated conditions which can be shown to have a causative effect. Primarily, conditions causing fatigue affect the well-being of the individual on whom they operate. Manifestations of any alteration in well-being are apparent in industrial life in the following ways:

1. Variations in output
2. Sickness and mortality
3. Labor turnover
4. Lost time and spoiled work
5. Frequency of accidents

Studies of industrial records or scientific investigations in industry yield ample illustrations of the above while medical

experience at the bedside and the laboratory has contributed indisputable non-industrial evidence of the deleterious effects of fatigue on the living organism. . . .

THE OUTPUT CURVE

The typical work curve shows a gradual rise in the rate of production during the first few hours of the working day

efficiency. The table shows the hourly output for the two plants by means of index numbers where maximum production equals 100.

At these same factories comparisons of different types of operations afforded striking illustrations of differences in the work curves depending on the relatively fatiguing nature of the work and preponderance of the hand or machine elements

HOURLY OUTPUT OF THE 2 PLANTS

Index Numbers Showing Fall from Maximum

<i>Hours</i>	<i>First</i>	<i>Second</i>	<i>Third</i>	<i>Fourth</i>	<i>Fifth</i>
Morning spell					
8-hour plant	89.6	96.4	97.4	94.4	.
10-hour plant	82.7	93.8	95.6	97.2	90.4
Afternoon spell					
8-hour plant	95.7	94.4	94.2	89.8	
10-hour plant	90.1	91.6	91.1	90.7	79.1

At the 8-hour plant the range of deviation in 6 out of 8 of the hourly output figures, or three-quarters of the hours is only 3.2 points and the remaining 2 hours drop only 4.6 points further. At the 10-hour plant, on the other hand, only two out of the 10 hours fall within the same range or deviation; the remaining eight hours are distributed downward over four times as great a range, or 14.7 points. . . . If we further compare corresponding hours of work at the two plants, we find that the notable difference lies in the far greater loss during the first and last hours of each spell at the 10-hour plant and the much lower level of the entire second spell.

followed by a steady decline after the third or fourth hour. A short period of increased production occurs after the lunch hour but this soon falls off again, the post-luncheon output never approaching that in the pre-luncheon period. The chief factors influencing the work curve are practice and fatigue, two antagonistic forces. Practice increases the rate of production; fatigue decreases it; the mental state constitutes a third factor. . . .

The observations of the United States Public Health Service at the eight-hour and 10-hour plants furnish some supporting evidence for Bedford's contention that the reduction of fatigue will have an effect on the work curve. At the eight-hour plant hourly production throughout the day more nearly approximated maximum

present. Where skill and dexterity were required output showed a marked rise with practice and a less decided fall at the end of the work spell and day. In heavy muscular work there was less increase resulting from practice and an earlier and more marked decline from the greater fatigue engendered. In machine work, which is largely independent of the human factor, output was more nearly stable throughout the day and was relatively high in the afternoon. However, the general shape of the curve was similar to those of the handwork operations showing a rise after the beginning of the day followed by a decline. . . .

The weekly work curve shows "all the same features that are observed in" daily curves. These are due to the same causes,

practice and fatigue, operating over the longer interval of the week instead of the day. The output on Monday tends to be lower than that observed on any other morning of the week due to the loss of practice-efficiency during the weekend. Recovery takes place during the early part of the week but is gradually neutralized and then completely overpowered by the accumulating fatigue induced by the daily round of work so that after a maximum occurring about the middle of the week, the output shows a distinct decline in the latter part. . . .

CHANGES IN THE LENGTH OF THE WORKING DAY AND WEEK

A reduction in the over-all number of hours worked per day and per week tends to increase the rate of production, other conditions remaining the same. This occurs in all types of work, although it varies somewhat according to the nature of the work, a decrease of hours having a greater effect in hand and semi-automatic processes than in more purely mechanical operations. Likewise, effects are more marked in heavier than in lighter, less fatiguing industries.

Evidence that a decrease in the hours of work from excessively long to more reasonable hours increases not only the rate of production but frequently the total output was obtained during the last war by the Health of Munition Workers Committee. . . .

The statistical data on output in various operations in the manufacture of fuses secured for the Health of Munition Workers Committee by Dr. Vernon are summarized in the Committee's Memorandum Number 18. . . .

"Observations extending over a period of 13½ months upon the output of workers employed in making fuses showed that a reduction of working hours was associated with an increase of production both

relative and absolute. The rate of production changed gradually, and did not reach an equilibrium value before the expiration of four months. Thereafter it remained steady during the period of 3½-5 months during which it was observed. The gradual change negatives the suggestion that the effect was a mere consequence of the desire to earn the same weekly wage as before the hours were shortened.

"Owing to the reduction of the working time, first by a change from a 12-hour day to a 10-hour day, and subsequently by the abolition of Sunday labour, it was possible to compare output under three conditions. The group of women (numbering from 80 to 100) engaged in the moderately heavy labour of turning aluminum fuse bodies provided the following comparative results:

- (i) When actually working 66.2 hours a week and nominally 74.8 hours their relative hourly production was 100 and their relative gross production 100.
- (ii) When actually working 54.8 hours and nominally working from 58.5 to 66 hours their hourly production was 134 and their gross production 111.
- (iii) When actually working 45.6 hours and nominally working from 49.5 to 58.5 hours their hourly production was 158 and their gross production 109.

"It is therefore to be inferred that had these women been working uniformly a nominal 50-hour week their gross output would have been as large as when they were working a nominal 66-hour week, and considerably greater than when they were working a 77-hour week. In other words, a considerable addition to the leisure time of the operatives would have substantially improved the total output of the factory.

"A group of 40 women engaged in the

light labour of milling a screw thread on the fuse bodies improved their gross output by 2% when actually working 54.8 hours a week, the standard being their gross output when working 64.9 hours per week. A further reduction of actual working hours to 48.1 resulted in such an improvement of hourly output that the gross output was only 1% less than when the actual working time was 16.8 hours more.

"A group of 56 men engaged in the heavy labour of sizing the fuse bodies improved their hourly output by 37% and their gross output by 21% when actually working 51.2 hours, the standards being the hourly and gross outputs observed when the actual weekly hours were 58.2.

"Fifteen youths engaged in the light labour of boring top caps by means of automatic machines produced only 3% less output when their actual weekly hours of work were 54.5 hours than when they were 72.5 hours. . . ."

An example of the relation between hours and output involving an indirect method of measurement was cited by Lord Henry Bentinck. A comparison of weekly wages of piece workers in an engineering firm on a 54- and 48-hour week, shows higher wages on a shorter week. Out of 203 workers, only four did not earn as much in 48 as in 54 hours, and the steady workers earned more. Lord Bentinck pointed out that when the longer hours were worked there was a good deal of time lost, whereas on the shorter week greater uniformity of actual working hours resulted. Although, undoubtedly, the desire to equal piece wages on a shorter week would serve as an incentive to speed hourly production, it is clear that this was responsible for only a small part of the maintenance of wages on the shorter week, and that the better condition of the worker was chiefly responsible. Evidence of this lies in the facts

that not only did many of the girls actually increase their total weekly wages, but that a transitional period during which some of the girls actually earned less occurred until the recuperation, provided by the shorter hours of work, increased their efficiency. . . .

Further examples in light industry were obtained by Vernon and Bedford and Miles and Angles for the National Institute of Industrial Psychology. Depending on the industry, maximum hourly output was attained during a week varying from 38.1 to 40 hours. However, in none of these cases was the increased hourly output sufficient to compensate for the loss in total output which was obtained with the slightly longer week which in no case was longer than 48 hours. . . .

According to Vernon the speed of production is greater when the hours are around 40 than in the shorter work week because of the effects of practice whereas in the long weeks it is reduced by fatigue.

"Many previous investigations have shown that the longer the number of hours worked the less the speed of production, owing to the influence of fatigue. Why, then, does the speed tend to improve with longer hours of work, provided that they are less than about 40 per week? . . . Presumably the regular daily practice causes an improvement of manual skill throughout the week, but this improvement is overpowered sooner or later, by the effects of cumulative fatigue. . . ."

In the investigations cited above a reduction in working time increased the efficiency of the worker, so that the rate of production was increased. The amount of that increase was not uniform from industry to industry nor occupation to occupation but depended on several factors. The relative contributions of the human factor and the machine affected the increase which was greater where there was more of the human element involved

and hence greater possibilities of speeding up the operation. Likewise, where fatigue was previously very great a reduction in hours led to a greater increase in production rate than when fatigue was not excessive. Where the hours were too short to keep the worker in practice, there was even a falling off in the *rate* of output.

Similarly, the effect on *total* output of a reduction in hours was not uniform. In a significant number of the investigations the total output was increased on the shorter schedule. However, the total output is determined by the hourly rate of output and the number of hours worked so that, obviously, no matter how much the rate is increased there must be a point beyond which the hours of work cannot be reduced and the individual's previous total output maintained. Examples of this were seen in tinplate manufacture when four-hour shifts were introduced, although the output rate was greater than on a six-hour shift which in turn yielded an increased total output over the eight-hour shift, and in the Western Electric plant with some of the shorter work schedules. In Florence's investigation of the American munitions plant, total output increased when overtime was worked but the reduction in rate of output resulting from the longer hours, increased the costs of production out of all proportion to the increase in total production. . . .

A study of any or all of the investigations will not give the answer to the question of the number of hours which will yield the largest output in the most efficient way in a specific industry. All that can be said is that generally a reduction in hours will increase the worker's efficiency and hence output rate, providing the reduction is not so great as to interfere with practice-efficiency. How much the output rate will be affected must depend on the specific conditions of the occupation, such as the relative amounts

of hand and machine work involved, the fatiguing nature of the work, etc., and the organization in the plant.

REST PERIODS

A suitable alternation of work and rest will often enable activity to be continued for longer periods of time without any decrease in efficiency as the rests allow for a recuperation from fatigue effects. The measurable benefit resulting from a rest period depends, as in the case of shortening the length of the working day, in good part on the nature of the work. Experimentally, the length of rest pause required for full recovery from fatigue was found to vary with the type of work—mental or muscular—and the duration. Likewise, the "quantitative effects will obviously be dependent upon the relative importance of the hand element in production." Rest pauses have been shown to be particularly beneficial in repetitive work of a monotonous character, in processes involving constant attention and judgment, in heavy work, in long continued activity requiring a continuous sitting or standing posture, and in the many cases where the fast pace of the machine imposes an additional strain upon the worker.

In the 10-hour American metal working plant previously mentioned, the introduction of 10-minute recesses in the middle of the morning and afternoon spells led to an increase in average daily output in 11 out of 12 different operations studied. The improvement was continuous and showed cumulative benefits as proved by the fact that in the four operations which had two periods of trial, the gain in the second period was, on the average, five times greater than in the first, the increase in output, which averaged about 2 per cent in the first period, averaged over 11 per cent in the second. In the process showing the largest increase in the total

daily output, there was a loss, not a gain, in the ratio of production in the morning hours following the recess, so that obviously the workers were not making a conscious effort to increase output. "Their reaction to the recesses appears to have been an involuntary one, the benefit not making itself felt until afternoon." . . .

Still other experiments with rest pauses in light industrial work carried on by the Industrial Fatigue Research Board gave similar results. Seventeen girls labeling small packages during a 48-hour week were given a 10-minute recess from 10:20 to 10:30 A.M. The rate of production was observed for eight months—four before and four after the change. The rate of output showed "a general tendency to rise after the introduction of the rest pause. In the last 6 weeks the average hourly rate of production was 13 per cent greater than in the pre-rest period, in spite of the daily loss of 2 per cent of working time." . . .

Working with electrically driven sewing machines, five experienced women were able to increase their output rate by 11 per cent after the introduction of a 10-minute rest period at 9:30 A.M. In work requiring close attention—assembling the components of bicycle chains by means of pendulum presses, the introduction of four five-minute rests in the morning spell of work and three in the afternoon resulted in a rise in the mean output of 13 per cent. This occurred in spite of the fact that the rest periods entailed a loss of 7 per cent of working time (35 minutes out of an 8½ hour day). . . .

In the output studies described in the preceding pages, output rate always and total output in many of the cases increased with a decrease in working time. This was true whether the decrease in working time was achieved through reduction in the over-all length of the working day or through the introduction of rest periods.

Several reasons for this increased efficiency resulting from decreased hours have been suggested: reduction in fatigue, improvement in attitude and morale of the workers, and desire to maintain the previous wage if a piece-rate system was employed. . . .

HOLIDAYS AND VACATIONS

In his book, "Industrial Fatigue and Efficiency," Vernon devotes some remarks to the necessity for the *weekly day of rest* and longer *holidays*.

"We have seen the advantage of taking brief rest periods in every hour of work, and longer rest periods between the spells of work. The principle of rests is no less advantageous when applied over longer time intervals. There should be at least one day's complete rest from industrial work per week, and longer rests . . . at intervals."

The harmful effect of Sunday work and of the absence of vacations on output in not permitting recuperation from fatigue was noted during the last war by the Health of Munition Workers Committee.

"The evidence is conclusive that Sunday labour by depriving the worker of his weekly rest offers him no sufficient opportunity for recovering from fatigue, and is not productive of greater output except for quite short and isolated periods. . . . Moreover, attendance at work on Sunday is often accompanied by bad time keeping on other days of the week.

"A rest from work on Sunday is followed by a relatively low output on Monday, and this output steadily rises in the course of the week, owing to the increased efficiency produced by practice. . . . In the absence of a Sunday rest, the fatigued worker has no opportunity for complete recuperation, and his output, though more uniform, remains permanently at a lower level than that shown on Monday by a worker who has rested on Sunday.

"A diminution of output as the result of fatigue is sometimes seen when the workers are in need of a holiday. In 1916 the munition workers were asked to forego their usual Whitsuntide and August bank holidays, and they worked continuously from April 27 till August 20 . . . the hourly output of the women turning fuse bodies averaged only 122 between July 31 and August 19, whilst it averaged 133 in the preceding 13 weeks. Again, the hourly output of the men sizing fuse bodies averaged 117 between June 26 and July 16, as against 122 in the preceding 13 weeks. After July 16 output began to go up in this latter operation, owing to the abolition of Sunday labour."

Opportunity was likewise afforded to observe the positive effect of vacations in increasing output. A typical curve was apparent for the women turning fuse bodies; the output increased just before the vacation in anticipation, fell in the first few days, probably due to loss of practice-efficiency, and then achieved a sustained high greater than the pre-vacation increase.

"It will be noted that in the week and a half before this holiday (vacation) the output rose distinctly above the previous average (viz. 6 per cent), but in the half week immediately following it fell considerably below the average (viz. 11 per cent). Both of these variations form a typical feature of output data in relation to holidays, whilst another typical feature is the considerable and persistent rise which follows on a holiday. In the present instance this rise amounted to 11 per cent more than the average for the pre-Christmas period. . . . The beneficial effects of the holiday upon output undoubtedly lasted four weeks, and probably more. . . . After a four days' holiday at the beginning of August, the output of a smaller group of the operatives, 40 in number, remained high for five weeks,

and was 7 per cent greater than the average output during the next eight weeks."

In its Final Report, the Health of Munition Workers Committee gave as its definite opinion that holidays were necessary and beneficial and cited the observations of one of its investigators, Professor Loveday in support of this opinion.

"The Committee consider it most important that the ordinary factory holidays should be maintained. . . . The evidence leaves no doubt as to the beneficial effect of such holidays both on health and output. . . .

"Professor Loveday, in his memorandum on 'The Causes and Conditions of Lost Time' draws attention to the beneficial effect of a holiday in reducing the amount of broken time due to sickness. He quotes an instance in which the sickness rate for the three weeks immediately following a considerable holiday at the end of August and beginning of September 1916, was 4.2 per cent as against 5.4 per cent in the week immediately preceding the holiday, and 8.6 per cent in the week before that. The rate had not been so low for many months previously."

Loveday had likewise called attention to the effect of Sunday work on health.

"In so far as long hours lead to loss of time by fatigue and sickness, insistence on them is most deplorable. . . . The hours gained are more costly than the hours lost . . . the effects of Sunday labour are, as has now been recognized, still worse than those of overtime hours in the evening or on Saturday afternoon."

NIGHT WORK

Dr. Hayhurst writing in 1919 stated very emphatically, "I am not in favor of night work for anybody." He then proceeded to back up this statement with very cogent reasons. Among these the interference with rest appears particularly pertinent to the present discussion of out-

put as we have seen that the output of a fatigued worker is reduced.

"(a) Sleep for the night worker is disturbed by the extra noise and bustle of the daytime, hot weather in the summer season, the presence of daylight, and the shift changes which are introduced weekly or bi-monthly in order to make the unfairness of the night work shift an equal burden to all employees.

"(b) Rest is invariably broken by additional home duties especially for women. If all in one household worked by night and slept by day, the disturbance would not be so great. . . ."

In addition to the above, Dr. Hayhurst also cites the effect on leisure time activities, the existence of meal irregularities as a result of the system, the disadvantages of artificial illumination as against natural, the deprivation of the tonic effects of sunlight, etc.—all factors increasing the fatigue experienced by the individual. . . .

The hourly work curves of night and day shift are likewise indicative of greater fatigue at night than during the day. As a measure of variations in output from hour to hour records were taken in a shell factory of power consumed in excess of that required to drive the machinery over five consecutive nights and days. Equal numbers of workers were on day and night shifts, and the hours of work and the meal breaks corresponded almost exactly. The hour of maximum output occurred in the day shift at the end of the middle work period where it was 13 per cent above the average hourly output of the whole day. The maximum for the night shift was 6.7 per cent above the nightly average and occurred earlier in the period. The fall following the maximum was much greater by night than by day.

"In the middle work spell the day shift output continued to rise, and reached a maximum of 13 per cent above the average hourly output of the whole day; then

in the last full hour of work it fell away slightly. . . . The night shift output, on the other hand, reached its maximum, which was 6.7 per cent above the average of the whole night, in the middle of the second work spell, and then fell away distinctly. In the third work spell the average night shift output was 6.7 per cent *less* than that of the whole night, whilst the average day shift output was 1.1 per cent *more* than that of the whole day. . . ."

At the 10-hour American munitions plant previously referred to, data were obtained on the relation of the 12-hour night shift to production. The effect of fatigue was more marked on the work curves at night than during the day for the same processes, the decline from the maximum hour's production being much greater by night than by day.

ACCIDENTS

Early accident statistics collected in this country and Europe for a variety of industries showed a definite correlation between accident rate and hours of work making it appear that fatigue carries a heavy responsibility for accident causation. The accidents tend to increase with each successive hour of work in the morning, reaching a maximum two to three hours after beginning work. The maximum may be as much as two to four times greater than in the first hour. In the afternoon spell the number and rate follow a similar curve as in the morning, reaching a peak toward the latter part of the afternoon. The National Safety Council in its current issue of Accident Facts states that the meagre statistics available on hours of occurrence for industrial accidents show that the most dangerous times of the day occur about three hours after work begins, both in the morning and afternoon.

In addition to fatigue resulting from previous activity, factors of accident proneness, subjective influences, age, experience,

speed of production, atmospheric conditions, lighting, etc., have been implicated in accident causation.

LOST TIME

A decrease in lost time on the job as a result of improving fatiguing conditions, specifically hours of work, has already been hinted at in the discussion of the "law of maximum output with minimum effort."

The Health of Munition Workers Committee in its Final Report called attention to this as one of the factors involved in the increase in output that follows a reduction in hours.

"It is of interest to note in passing that Dr. Vernon claims that the increased hourly output resultant on a reduction of hours is dependent, as a rule, on two factors. First, a speeding up of many or all of the actual movements required in the mechanical process; and secondly, the avoidance of lost time by starting work promptly, by taking few pauses during the progress of the work, and by continuing the work more nearly to the nominal stopping time. . . ."

A. F. Stanley Kent, a former investigator for the Health of Munition Workers Committee, considers lost time of great significance as a measure of industrial fatigue. In an article in the *Journal of State Medicine* he cites some important instances of the correlation between hours worked and lost time. In an elastic webbing factory employing about 300 men and women, records of hours lost and number of persons late were taken over a five-months' period during which a reduction of six hours from $56\frac{3}{4}$ to $50\frac{3}{4}$ was made in the weekly schedule of hours. The amount of time lost and number of persons late was greater and more variable when the hours were long than after they were shortened.

In another example cited working time

was reduced from 54 to 48 with the result that instead of losing from 10 to 12 hours a week, each worker lost an average of five. "Thus, an apparent diminution of working hours, introduced by the management, was compensated, possibly largely unconsciously, by the workers, and as a result the actual number of hours worked per week remained the same." . . .

The comparison of the eight-hour and 10-hour metal working plants yielded similar evidence in favor of the eight-hour system.

"At the 8-hour plant, the workers in the various departments start and stop work practically on schedule. In one department for instance, transmission gear cutting, observations showed that only two minutes were lost at the end of the morning shift; work also started punctually, 7 minutes being required to get under way in the morning shift, 3 minutes on the afternoon shift.

"At the 10-hour plant, on the other hand, fully 15 minutes before the noon hour and fully 30 minutes before quitting time at night, workers may be seen sitting idly at their machines, while the shafting still runs on, walking about, chatting, or else making preparations to leave. Seven and one-half per cent of the total daily time is thus lost by many workers of which 5 per cent is in the last hour."

SICKNESS AND ABSENTEEISM

On the basis of the same evidence, Dr. Vernon has stressed the importance of fatigue as a contributory cause of illness and described the investigations that led him to this conclusion while working as an investigator to the Committee. In all the cases cited, a decrease in the working hours led to a reduction in the time lost from sickness.

"One of the most important contributory causes of sickness and of the loss of working time is fatigue arising directly

from industrial work. I had an opportunity of testing this statement on a large scale at three National Shell Factories, all situated in the same district. . . .

"At factory A, where 6 inch shells were made . . . on an average the men lost 6.0 per cent of their time from sickness, and the women 6.4 per cent, but with both sexes there was a steady fall in the sickness experienced during the three six-month statistical periods investigated. This may have been to a small extent due to the fact that at first a 63-hour week was worked, both by day and by night, but from April, 1917, onwards Saturday afternoon work (of four hours duration) was dropped, so that the average hours were 62 in the second statistical period, and 61 in the third period.

"At factory B, where 9.2 inch and 15 inch shells were made . . . the men worked a 63-61 hour week . . . , but the women were on a three shift system, and averaged only 45-42 $\frac{3}{4}$ hours a week. This difference of hours produced a corresponding effect on the time lost from sickness, for the women lost only 3.3 per cent on an average, and the men 5.3 per cent.

"The most striking evidence of all was obtained at factory C, where 9.2 inch shells were made. . . . For the first 9 months the men averaged 63 $\frac{1}{4}$ hours work per week (57 hours on day shift and 69 $\frac{1}{2}$ hours on night shift) and the women 44 $\frac{1}{4}$ hours, but in the last seven months both men and women worked a 54 hour week (48 hours on day shift and 60 hours on night shift) . . . during the first statistical period the men lost no less than 7.0 per cent of their time from sickness (probably because of the terribly long night shift), whilst the women lost only 2.8 per cent or two-fifths as much. When the hours were changed and the women did 9 $\frac{3}{4}$ hours less, the women's lost time increased to 4.3 per cent, whilst the men's lost time decreased to 4.0 per cent.

"Grouping the results of all three factories together and averaging them when the hours worked were the same, we observe the following close parallel between hours of work and time lost from sickness."

MEN

Hours of work	63 $\frac{1}{4}$	62	54
Time lost from sickness	7.0%	5.7%	4.0%

WOMEN

Hours of work	62	54	44
Time lost from sickness	6.4%	4.3%	3.0%

The association of an increase in the nominal or "scheduled" hours of work with increased absenteeism in general was likewise observed by Florence.

"The figures were obtained at a large shipyard and munition factory employing 11,096 workers at the end of 1914 and 14,025 at the end of 1915. At the outbreak of war in 1914 the hours were enormously increased. Instead of employing men almost exclusively on a 9 $\frac{1}{2}$ -hour day six days a week, the plant now employed men and women on two shifts, day and night. The men's dayshift consisted of 9 $\frac{1}{2}$ hours full work and the nightshift 11 $\frac{1}{2}$ hours. . . . Some seven hours were also worked on Sunday."

PERCENTAGE OF WORKING DAYS LOST
FOLLOWING INTRODUCTION OF TWELVE-
HOUR SHIFTS (MEN)

	<i>All Departments (25)</i>	
	1914	1915
In the midmost week in		
Sept.	7.9	11.3
Oct.	9.4	11.6
Nov.	10.6	12.9
Dec.	9.4	12.8
Average	9.3	12.2

Before this increase in hours the plant had been accustomed to an absence rate less than 6 per cent.

Florence then goes on to describe a weekly curve of absence showing the fatigue effects of consecutive days of work so that the period of least absence occurs in the middle of the week.

"Where the schedule of hours of work is not changed and observation is confined to the effect of consecutive days of work, a remarkable similarity in the week's curve of absence has been shown in the most widely different places of work. Records were kept for 1919 and 1920 in coal mines in South Wales. In both places, and in each investigation in each place, the curve starts very high on Monday, forms a trough in the middle of the week, and turns upwards again on Saturday."

SUMMARY

This evidence demonstrates that excessive hours of work reduce an individual's capacity for work. In the absence of sudden organic impairment, the reduced capacity for work in an individual previously shown capable of more can be said to be the result of fatigue. Fatigue in excess or unrelieved over a prolonged period impairs health and efficiency. Evidence of this fact has been found in biological and industrial investigations. Experimental and clinical observations have demonstrated the effect of fatigue in increasing susceptibility to disease and to morbid psychological manifestations. The investigations in industry show that shorter hours of work increase output relatively and, frequently, absolutely, and improve the quality of work while at the same time accidents, lost time and illness are reduced.

As a part of the problem of hours of work, industrial investigations have covered the effect of hours at different times of the day and week, and also the effect of changes in the work schedule by the introduction of rest pauses, vacations, and

night work as well as by alteration in the over-all number of hours worked. Fatigue effects have been shown to increase as the day and the week wear on and during night work as compared to day work. Reductions in working hours, rest pauses and vacations do much to alleviate the effects of fatigue.

The measurable effects of fatigue on production differ quantitatively depending on the nature of the work, being greater in work involving more of the human element and less in machine work. However, the investigations demonstrate that even where the quantitative effects appeared small or where, because of the nature of the work, difficulty was encountered in measuring them (*viz.* the laundry trade), fatigue was not absent. The general studies on the effects of fatigue on illness susceptibility, psychological investigations, special tests for fatigue, evidence of spoiled work and errors, accident rate, lost time and sickness records bear ample testimony to the deleterious effects of long hours.

The Health of Munition Workers Committee in its final report called attention to the fact that its investigations, although concerned primarily with the munitions worker, dealt also with vital principles and practical methods affecting all forms of industry. Subsequent investigations in other types of industry and in other types of work have confirmed this statement and make the application of the principles to industries not yet specifically studied axiomatic.

However, the question of the exact number of hours most favorable to health and efficiency in a specified industry or occupation cannot be answered by reference to these investigations. Such an answer must depend on the type of work involved and surrounding conditions, as well as on specific observation. A recent report by the British Association for La-

bour Legislation warns against accepting without reservation the experiences of the last war in this connection because of the differences in the conditions of industrial production at the time of that war and now. Such differences include the present increased speed of production which would tend to bring on symptoms of fatigue after a fewer number of hours of work than previously and the improvement in welfare measures which may exert a counteracting influence.

The hours' studies cited are mainly concerned with a change from excessively long hours, viz. from a 12-hour day to a 10-hour day or from a 10-hour day to an eight-hour day, as long hours were the usual practice at the time the investigations were conducted. Only in the very heavy industry of tinplate manufacture were the two shifts studied eight and six hours long. However, some of the more recent studies, particularly in light industry indicate that a shorter work day and week may increase still more the individual worker's efficiency although not necessarily his total output. In the case of the labelers, maximum rate of production was obtained in a week of 38.1 hours, for heel builders 39 hours, and for box-making 40 hours. At the Hawthorne works of the Western Electric, a reduction in weekly hours from 48 to 43:10 increased the rate of production sufficiently so that no fall in total output occurred.

The correlation of illness incidence with man hours in manufacturing industries in the United States likewise indicated beneficial results from a greater reduction in hours: the lowest illness rate occurred

when the man hours worked were 35½ per week. Other indications that shorter work days and weeks than those observed in the earlier investigations would be advantageous, lie in the evidence afforded by the daily and weekly work curves. The fall in production observed toward the end of the day and week makes it apparent that further reductions in hours worked would contribute to maximum efficiency.

The question of optimum hours involves several considerations. On the surface it may appear that the number of hours which yields the greatest total output is the best. In many of the studies a decrease in the hours worked increased the worker's efficiency to such an extent that total production was actually increased. At the same time, the importance of the worker's health and efficiency to production as a whole and over long periods must not be overlooked. The number of working hours which may not increase or even maintain an individual's total output but which do improve his health and working capacity so that illness, accidents and spoiled work are decreased, and rate of output improved, are in the long run the most efficient as well as the most desirable for the individual concerned. On such a schedule of hours the worker's productive life is more likely to be prolonged and breakdown at a time when he is needed both by industry and his own family, avoided. In addition to these considerations it has been shown that production costs are lower where the worker is employed at his maximum efficiency.

ECONOMICS OF HOURS REGULATION

ALFRED MARSHALL ¹Balance of Desire
and Effort

Alfred Marshall (1842-1914) was a distinguished English economist of the late nineteenth century; he was professor of political economy at Cambridge University.

The simplest case of balance or equilibrium between desire and effort is found when a person satisfies one of his wants by his own direct action; as for instance when he picks blackberries. At first the pleasure of eating is much more than enough to repay the trouble of picking; in fact the action of picking may itself be pleasurable for a time. But after he has eaten a good deal, the desire for more diminishes; while the task of picking begins to cause weariness. This weariness may be caused more by monotony than by fatigue. And when at last his eagerness to play and his disinclination for the work of picking counterbalance the desire for eating, equilibrium is attained. The satisfaction which he can get from picking fruit has arrived at its *maximum*: for up to that time every fresh picking has added more to his pleasure than it has taken away; and after that time any further picking would take away from his pleasure more than it would add.

¹ Alfred Marshall, *Principles of Economics*, 3rd ed., by permission of The Macmillan Company, publishers, London, 1895, p. 408.

J. R. HICKS ²The Economic Effect
of a Reduction
of Hours

It is indeed true that the immediate effect of an increase in hours must always be to increase the supply of labour, and the immediate effect of a reduction in hours must always be to reduce it. But here again immediate and ultimate effects are not always the same. Even if the hours worked have been excessively long, their reduction will reduce the supply of labour for the moment; but after a while it is reasonable to expect that there will be favourable reactions on the ability to work which will offset the first decline. Increased leisure means increased facilities for rest and recreation; rest and recreation improve physical strength and increase alertness; these in their turn react upon efficiency. In almost every case a reduction in hours will be followed by some favourable deferred action of this kind; and in certain cases the improvement may be great enough to restore in the end the former output, or even cause it to be exceeded.

If, for the present, we leave out of account these transitional effects of changes in the length of the working day, and fix our eyes only on the supply of labour which will be reached when a given length of day has been in force for some

² J. R. Hicks, *The Theory of Wages*, by permission of The Macmillan Company, publishers, London, 1932, pp. 104-05; 106-10; 217-21.

time, we inevitably reach the conception of an "optimum." A man who is accustomed to working six hours will nearly always produce a greater daily output than he would do if he were accustomed to working four; but on the other hand it is very likely that he would produce more at an accustomed ten hours than at an accustomed twelve. There will be some length of working day which, if it were maintained, would yield a greater supply of labour than any other, whether less or greater; and this we may describe as the "optimum" length of working day—from the output point of view.

The position of this optimum will, in all probability, vary very greatly in different cases; it will vary with the individual, with the kind of work, with the circumstances of work (with such things as climate, for example). But a group of men working in a factory will have an optimum, just as a single man will have. Some men might turn out more if the hours were longer, some men more if they were shorter; but if the total output is maximised at a given length of day, that length is the optimum.

History gives us no ground for supposing that the reduction takes place at all easily. The long hours worked in the early days of the Industrial Revolution are notorious; they were reduced, it is well known, mainly by State regulation and Trade Union action. It was found, after they had been reduced, that "the output of eleven hours' work might be greater than that of twelve." Employers had been working at more than the output optimum, without realising it.

Probably it had never entered the heads of most employers that it was at all conceivable that hours could be shortened and output maintained. But it is clear that there were a few who had realised it. Why did they not reduce hours by their com-

petition, just as enterprising firms force up wages by their competition?

One reason, and perhaps not the least important lies in the technical considerations which usually make it necessary for a change in hours to apply to a whole establishment at once. It must, therefore, spring from the employer's initiative. As we have seen, this is not the case with a rise in wages. That comes mainly from the initiative of workpeople, and may begin in a small way, with one workman finding an employer who is in great need of labour and from whom he can thus extract higher wages. It need not come into the light of day until it has gone too far to be stopped.

But a man seeking work in this way under such favourable conditions cannot ask for reduced hours. If he did, the employer would be likely to take it as an attempt to dictate how his works should be run, and his estimate of the man's *net* product would undergo a very rapid depreciation.

A reduction in hours must therefore come from the initiative of employers (if it is not imposed from outside). And there is a good reason why they should be rather slow to take it. The immediate effect of reduced hours must be to reduce output and increase costs, unless the reduced hours are accompanied by reduced wages, and not only by reduced time-rates, but reduced piece-rates, since fixed costs will, for the present, have to be spread over a smaller output. But a reduction of wages in the period of adjustment has to meet all the objections against temporary wage-reductions which have been discussed in previous chapters. It has also to meet the further objection that the reduced wages will militate against an improvement in efficiency, the very thing to which the employer was looking for a large part of his gain from the reduction in hours. At the best, wage-reductions will

lengthen the period of transition; at the worst, they will prevent the improvement in efficiency altogether. An employer who was sufficiently enlightened to undertake the change at all would be very unlikely to want to push the costs of the change on to the shoulders of his employees.

But if he does not reduce wages, he has to bear the cost of the transitional period himself. His losses during this period are a form of investment, from which he hopes to gain later. But they are a very risky investment, since it must always be extremely uncertain whether additional leisure really will improve output in the end, and if so to what extent. It is not surprising that the number of employers who are willing to undertake investments of this kind is limited. They can only be undertaken by those who are possessed of adequate capital (no one could raise a loan for such purposes) and they are at least only likely to be begun by people of a certain kind of temperament. Though doubtless when these have pointed the way, others will slowly follow.

There is, in addition to this, a further difficulty. When the transitional period is over, an employer has no guarantee that those men whose efficiency he has improved will stay with him. The terms he is offering to his employees are better than those offered by his rivals; at least, they are better to a man in ordinary circumstances. But a man's relative valuation of income and leisure may change; and if he is faced with misfortune (for example, an illness in his family) it often does change. Although under normal circumstances he may prefer the shorter hours to a rise in wages, he may not always prefer them. If he is in difficulties the temptation to go elsewhere, to work longer hours, but to offer his improved efficiency as a claim to higher wages than are generally being paid, may be irresistible. The first employer must then replace him with

another man, whose efficiency has to be worked up; and instead of reaping his expected profits, he is faced with another period of loss. . . .

In spite of all these difficulties, it must not be assumed that a purely competitive system is powerless to reduce the hours of labour, so as to give the labourer some of the fruits of industrial progress in the form of increased leisure. Even the darkest days of the Industrial Revolution had their Robert Owen; and there can be little doubt that since that time the number of employers who are highly competent and adventurous and at the same time sympathetic to the needs of labour, has been on the increase. They can be relied upon to do something to mitigate excessive hours; and their success must induce others to follow their example. However, the struggle is not an easy one. It does seem probable that there are occasions when interference to reduce hours may secure to large numbers of workmen an increase in leisure at the cost of a fall in wages, which nevertheless, seems to most of them well worth it; and it is also probable that there are occasions, rarer indeed, but quite real, when no sacrifice in wages has to be called for. . . .

The initial situation which is created by Trade Union demands for reduced hours does not generally differ in any material respect from that which arises from a demand for increased wages. It is true that if the working day has previously been fixed at a length which is greater than the "output optimum," the Union will not usually need to exert any considerable pressure in order to bring about a reduction. For the main reason why it has not paid the employer to reduce hours on his own initiative, is his unwillingness to bear the temporary costs of the period which must elapse while efficiency is being worked up; the threat of a strike will consequently be very effec-

tive. For he can now no longer avoid immediate costs if he refuses the reduction of hours; the strike costs will probably last a much shorter time than the costs of working up efficiency, but per unit of time they will be proportionately much heavier; so that he has little advantage in the short run to gain from resistance. On the other hand, in the more distant future, a reduction of hours will improve efficiency; and there is now nothing considerable to set against this. A very moderate degree of rationality on the part of employers will thus lead them to reduce hours to the output optimum as soon as Trade Unionism has to be reckoned with at all seriously.

But once the output optimum is passed, reductions in the working day, with unchanged weekly wages, involve permanent increases in costs; and they will thus be resisted by employers in much the same way, and to much the same extent, as demands for advances in wages. The whole situation becomes closely parallel with that we have examined previously when dealing with wages. As we shall see, reductions in hours in a single firm, or throughout a closed community, stand on exactly the same footing as wage-advances; it is only in the intermediate cases of single industries, or (less probably) single nations, that there may be some difference.

Take first the single firm. A reduction of hours below the output optimum, while weekly wages are unchanged, leaves the firm in a position where its total labour cost remains the same, but its total output is diminished. So long as the firm is no monopolist, the reduction in output can have no considerable effect on selling prices, and gross receipts consequently fall. Since labour costs are unchanged, and gross receipts reduced, profits must be diminished. There will thus set in the same process of withdrawal of capital, and contraction of employment. . . .

If the reduction in hours is accom-

panied by a reduction in weekly wages, then of course the tendency to contraction is less serious. But even a reduction in wages proportional to the reduction in output will not necessarily remove all incentive to contraction. For although the share of each unit of output going to capital is no longer diminished, the total return to capital is still reduced, more or less in proportion to the reduction in output, and there is thus still an incentive for capital to be withdrawn.

Take next a whole industry. Here again there is a contraction in output, but here we can no longer neglect the effect of the reduced output on the price of the product—and the similar effect of reduced demand for raw materials on their prices. Of course, if by "industry" we mean simply those firms producing a particular type of goods within a national frontier, they may still be exposed to foreign competition in one other of these markets. But if they are not exposed to competition in these markets, the effect of reduced output on prices may be considerable. If the demand for the product is inelastic, the reduced output may actually increase the total gross receipts of the industry—measured in money, or in command over the products of other industries—so that, even if weekly wages are unchanged, net profits will actually expand, and there will be a tendency for employment in this industry to increase, instead of diminishing. The same thing may happen even if the elasticity of demand for the product is slightly greater than unity, if the producers of the raw materials are "squeezeable"—that is to say, if a falling off in demand leads to a considerable fall in price, and consequently to a very considerable fall in the total amount which has to be paid for the raw materials. Nevertheless, this is only a special case; if the demand for the product is elastic, and the supply of the raw materials is elastic, then very much the same kind of

thing must happen with an industry as with a single firm.

Further, we must remember that while it is sometimes possible for a particular industry to reduce hours without causing unemployment among those who are "attached" to it, it only does so by shifting its burden on to the backs of other people. Consumers are directly damaged by the reduced supply of the product; the raw material producing industries find the demand for their products contracted, so that capital in them becomes less productive, and the wages of their labourers have to be reduced, if the withdrawal of capital is not to lead to unemployment. If consumers have an inelastic demand for the product of the first industry, so that they actually spend more money on the smaller supply than they did on the larger (and this is of course the case most favourable to the maintenance of employment in that industry), then those consumers have less money to spend upon other commodities, so that other industries are faced with a reduced demand, which must finally lead to unemployment or reduced wages. A reduction in output must be at the expense of somebody; even in those cases where the men working in the industry concerned are able to avoid bearing the burden, they only do so by shifting it on to other people.

RICHARD A. LESTER ¹

The Economics of Shorter Hours

The usual economic analysis of the shorter work week explains that it will increase unit costs of production because

¹ From Richard A. Lester, *Economics of Labor*, copyright 1941 by The Macmillan Company, and used with their permission, pp. 359-61.

the higher hourly wages increase labor costs and because the greater idleness of capital equipment increases capital costs. Higher total costs per unit of output, it is claimed, will lead to higher prices, which will reduce the demand for the product and lead to less employment. The only recognized exception is the rare case where the demand for the product is absolutely inelastic, but then the rise in price causes a larger proportion of the community's income to be spent for that product so that less can be spent for other products, diminishing employment in other lines of industry.

Some of the weak links in this chain of reasoning were indicated in the foregoing discussion. The shorter working week may not lead to higher unit costs, and higher costs per unit of output, under certain circumstances, may not lead to higher prices. A price rise confined to one firm or one industry would, of course, tend to reduce the volume of sales and employment in that firm or industry. If, however, the work day was reduced by national legislation that increased costs and prices in all industries, there is no assurance that the higher prices would reduce the total volume of sales and total employment. As a matter of fact, a rising price level tends to stimulate the rate of spending, and the total volume of sales in the country might even increase, especially if the money supply increased in proportion to the price rise.

The arguments of "orthodox" economists against shorter hours are generally based on partial analysis and static assumptions, rather than on sequence analysis and dynamic conditions. By attempting to apply partial analysis in reasoning on the effects of a general hours reduction upon the economy as a whole, they commit the fallacy of composition, the mistake of reasoning from the particular to the general. The classical analysis, by concerning itself only with costs and indi-

vidual prices, fails to allow for changes in aggregate demand, or expenditures, with changes in costs and incomes. Generally, the orthodox economists, in reasoning on the effects of shorter hours throughout industry, have assumed that aggregate demand (total money expenditures) remains constant. Actually it might increase.

As has been pointed out, a more equitable distribution of income tends to speed up the rate of spending and, thus, to increase money incomes. If reduced hours should increase the share of the national income going to the laboring masses and decrease the share acquired by capital-owning groups, total expenditures, income, and employment might expand. Especially would such a result be likely to occur at a time when profits are not being spent or invested.

Furthermore, the rate of spending might be increased if the shorter work week led to a shift in the demand of workers as a result of more leisure and longer week

ends. With more free time, workers might buy more automobiles, small homes in the country, sports equipment, etc. Economists have argued that a shift in demand only benefits one industry at the expense of others, so that total expenditures and incomes are not increased. Yet they have also argued that the development of new products and new branches of industry during former depressions aided in achieving a quick recovery. Certainly 'such a shift in workers' demand might involve the construction of new factories, new houses, and new equipment, exactly as the development of a new product does. How significant such shifting of demand might be is difficult to foretell. This shifting-demand argument for shorter hours should not be confused with the naive notion that, if workers had more leisure but no larger incomes, they would spend more money because they have not had sufficient free time in the past to spend all their income.

20. Administration of Provisions

IF ALL parties have a common interest in any practical and immediate problem of industrial relations, it is in the effective administration of the contract. The specific interests of all may not be equally served by the same solution to a troublesome situation; but all desire and need a prompt and just settlement.

A large area of contract administration is comprehended in the settlement of grievances. The word "grievances" carries a connotation of conflict and irritation. This frequently, but not always, truly represents the situation. Many of the problems, however, which are handled through the grievance machinery cannot be labeled as examples of unfairness, injustice, discrimination, animosity, or deliberate unreasonableness. They become so only if allowed to develop without a genuine effort to get at the source of the difficulty and to correct it. Originally the difficulty may have its source in human error, or carelessness, or misunderstanding of the rules or the contract. Uncorrected, the grievance can become to the aggrieved party an example of deliberate intention not to play fair. The usefulness of the grievance procedure in forestalling bad feelings on the part of management, trade-union leaders, or workers is important. But of equal importance is its value as a mechanism for meeting the routine difficulties in administering an agreement and carrying on production, many of which cannot possibly be foreseen. Such difficulties are bound to arise even among parties dealing with each other in the utmost good faith.

With an efficient and just grievance procedure it becomes less necessary to nail down in the agreement in elaborate detail the rules for every conceivable problem which may arise in the relations between management and men and the union. This relative freedom of action is important to management and the unions. The grievance procedure, as such, does not lay down the broad principles of relationships and the terms of employment. That is the function of the whole trade agreement. But, in sum, the settlements involved do define what the broad principles actually mean. If management makes that definition unilaterally, an important part of the collective determination of the terms of employment is eliminated.

For the union, therefore, the grievance procedure is a mechanism which can deal with possible disintegration of the common rules they have worked for, and a service to the employees which can increase loyalty to the union. For the workers the grievance procedure is a due process of law protecting the value of their jobs

and their claim to equitable treatment under the common rules. For the employer the grievance procedure is an orderly and systematic means of discovering and correcting any situations which if neglected could develop into a condition destructive of morale, productive efficiency, and real teamwork.

Through the grievance procedure the union participates in those functions of management labeled execution and compliance. If the functions are to be effectively performed and to contribute to the welfare of the enterprise, both management and union leaders must recognize this fact. Management must realize it is sharing a managerial function, and union leaders must accept the responsibility for company welfare that this participation makes imperative.

Whether collective bargaining can work as a substitute for either open industrial warfare or minute regulation of industrial relations by the State depends to a very significant degree upon the efficiency and justice of the grievance procedure and the adaptive capacities of management and union leaders in the administration of the trade agreement.

GEORGE W. TAYLOR¹

Administration of the Contract

The Board [National War Labor Board] is of the firm conviction that the interests of sound labor relations and, therefore, of efficient plant operation can be well served by the inclusion, in collective bargaining agreements, of a grievance procedure with provision for final determination of an impartial umpire of questions respecting the interpretation and application of the agreement. Collective bargaining is a day-by-day relationship; it is not confined merely to the consummation of an agreement once a year. The agreement must be applied and interpreted in all sorts of operating situations. In this connection, honest differences of opinion

between the parties are bound to occur. The resulting issues should be promptly and finally determined in the interests of efficient operations in the plant.

NATIONAL LABOR- MANAGEMENT CONFERENCE²

Existing Collective Agreements

The usual collective bargaining agreement applies to and is administered by people of varying personality, temperament, and understanding. It should, therefore, be as clear and simple as practicable and written in layman's terms. Furthermore, it should be thoroughly understood by the employer and employees, and the

¹ George W. Taylor, *Opinion*, in re Chrysler Corporation and United Automobile Workers (CIO), National War Labor Board Case No. 240, October 2, 1942.

² United States Department of Labor, Division of Labor Standards, *The President's National Labor-Management Conference, November 5-30, 1945*, Bulletin No. 77, pp. 44-47.

representatives of both. This will frequently require appropriate discussions and educational campaigns, conducted by the respective parties. The committee has given serious consideration to this phase of its problem and has made it the subject of certain specific recommendations.

Harmonious operation under an agreement, however, requires more than clarity of language and of understanding. There must be an honest effort on the part of all to effectuate the spirit as well as the letter of the agreement, a continuous demonstration by the parties of their willingness to conduct their relations on a basis of mutual fairness and respect.

While adherence to the foregoing principles will do much to ensure the smooth and proper functioning of an agreement, grievances and disputes involving the interpretation and application of the agreement will, nevertheless, inevitably arise, for the adjustment of which adequate provision should be made. This requires procedural clauses for the settlement of such grievances and disputes, and a firm commitment by managements and unions that these procedures will be followed as a substitute for strikes and lock-outs.

The committee, therefore, recommends as follows:

1. Collective bargaining agreements should contain provisions that grievances and disputes involving the interpretation or application of the terms of the agreement to be settled without resort to strikes, lock-outs, or other interruptions to normal operations by an effective grievance procedure with arbitration as its final step.

2. To be effective, the procedure established for the settlement of such grievances and disputes should meet at least the following standards:

(a) The successive steps in the procedure, the method of presenting grievances

or disputes, and the method of taking an appeal from one step to another should be so clearly stated in the agreement as to be readily understood by all employees, union officials, and management representatives.

(b) The procedure should be adaptable to the handling of the various types of grievances and disputes which come under the terms of the agreement.

(c) The procedure should be designed to facilitate the settlement of grievances and disputes as soon as possible after they arise. To this end:

(1) The agreement should provide adequate stated time limits for the presentation of grievances and disputes, and rendering of decisions and the taking of appeals.

(2) Issues should be clearly formulated at the earliest possible moment. In all cases which cannot be settled in the first informal discussions, the positions of both sides should be reduced to writing.

(3) Management and union should encourage their representatives to settle at the lower steps grievances which do not involve broad questions of policy or of contract interpretation and should delegate sufficient authority to them to accomplish this end.

(4) The agreement should provide adequate opportunity for both parties to investigate grievances under discussion.

(5) Provision should be made for priority handling of grievances involving discharge, suspension, or other disciplinary action.

(d) The procedure should be open to the submission of grievances by all parties to the agreement.

3. Managements and unions should inform and train their representatives in the proper functioning of the grievance procedure and in their responsibilities under it. In such a program it should be emphasized:

(a) That the basic objective of the grievance procedure is the achievement of sound and fair settlements and not the "winning" of cases;

(b) That the filing of grievances should be considered by foremen or supervisors as aids in discovering and removing causes of discontent in their departments;

(c) That any tendency by either party to support the earlier decisions of its representatives when such decisions are wrong should be discouraged;

(d) That the willingness of management and union officials to give adequate time and attention to the handling and disposition of grievances and disputes is necessary to the effective functioning of the procedure;

(e) That for the sound handling of grievances and disputes both management and union representatives should be thoroughly familiar with the entire collective bargaining agreement.

4. The parties should provide by mutual agreement for the final determination of any unsettled grievances or disputes involving the interpretation or application of the agreement by an impartial chairman, umpire, arbitrator, or board. In this connection the agreement should provide:

(a) A definite and mutually agreed-upon procedure of selecting the impartial chairman, umpire, arbitrator, or board;

(b) That the impartial chairman, umpire, arbitrator, or board should have no power to add to, subtract from, change, or modify any provision of the agreement, but should be authorized only to interpret the existing provisions of the agreement and apply them to the specific facts of the grievance or dispute;

(c) That reference of a grievance or dispute to an impartial chairman, umpire, arbitrator, or board should be reserved as

the final step in the procedure and should not be resorted to unless the settlement procedures of the earlier steps have been exhausted;

(d) That the decision of the impartial chairman, umpire, arbitrator, or board should be accepted by both parties as final and binding.

(e) That the cost of such impartial chairman, umpire, arbitrator, or board should be shared equally by both parties.

UNITED STATES DEPARTMENT OF LABOR¹

Settling Plant Grievances

Good grievance procedure is essential to all parties interested in sound labor relations. It is as important to management as to labor. The grievance machinery enables management with the help of the union to discover and correct the sore spots in working conditions and plant industrial relations before they are permitted to spread and cause real trouble. It provides an effective communications system for bringing bad shop practices of lower supervisory help to management's attention.

To the individual worker, grievance procedure provides the means of enforcing the terms of the contract and with a democratic method of appeal against any one person's arbitrary decision affecting his wages or working conditions. It protects the democratic rights of the individual in industry in the same way that our judicial system protects his democratic rights in civil life.

¹ United States Department of Labor, Division of Labor Standards, *Settling Plant Grievances*, Bulletin No. 60, 1943, pp. 1-11, 24-25, 27.

WHAT IS A GRIEVANCE?

A grievance may arise from any number of causes adversely affecting the mental attitude of the worker toward his job. The cause may be real or imaginary. But even an imaginary cause may point to some real source of dissatisfaction. For example, complicated rules and regulations that are not sufficiently explained

may lead a worker to think he is being treated unfairly. Getting at the underlying conditions which give rise to grievances is essential to good grievance procedure.

The following sample list indicates the kind of grievances which workers bring up frequently and some of the causes which give rise to them:

TYPICAL EXAMPLES OF WORKERS' GRIEVANCES

TYPE OF GRIEVANCE	COMMON CAUSES
Listed without reference to frequency.	The worker feels that—
A. Wages:	
1. Demand for individual wage adjustment.	He is not getting what he is worth. He gets less than other people doing work requiring the same degree of skill.
2. Complaints about job.	His job is worth more than it pays and should be reclassified.
3. Complaints about incentive systems.	He deserves to be upgraded. The method of figuring his pay is so complicated that he doesn't know what his rate really is.
4. Miscellaneous.	His piece rates are too low. His piece rates are cut when his production increases.
B. Supervision:	Mistakes are made in calculating pay. Methods of paying off are inconsiderate.
1. Complaints against discipline.	Foreman doesn't like him and picks on him. Company has it in for him because he's active in union.
2. Objection to a particular foreman.	His mistakes were due to inadequate instruction. Foreman is playing favorites.
3. Objection to general method of supervision.	Foreman is trying to undermine union. Foreman ignores complaints. There are too many rules and regulations. Rules and regulations are not clearly posted. Supervisors and/or time-study men do too much snooping.

TYPE OF GRIEVANCE

COMMON CAUSES

Listed without reference to frequency.

The worker feels that—

C. Seniority, discharge, etc.:

1. Loss of seniority.

2. Calculation of seniority.

He has been unfairly deprived of seniority. He hasn't received all the seniority due him.

3. Interpretation of seniority.

Clause in contract has been unfairly interpreted by company (clauses often vague).

4. Disciplinary discharge or lay-off.

He has been penalized unfairly or at least too severely.

5. Promotions.

Company wanted to get rid of him anyway for union activity or other reasons. Seniority clause has been violated.

Company wouldn't promote him because of union activity.

He doesn't have chance to advance himself.

6. Transfers to other departments or shifts.

He has had more than his share of dirty work or graveyard shifts.

D. General working conditions:

1. Safety and health.

Toilet facilities are inadequate.

Dampness, noise, fumes, and other unpleasant or unsafe conditions could be corrected.

He doesn't have enough time for personal needs.

2. Miscellaneous.

He has to lose too much time waiting for materials.

Overtime is unnecessary.

He is being unfairly denied an employment release (certificate of availability).

Lunchroom facilities are inadequate.

E. Collective bargaining:

1. Violations of contract.

Company is stalling or putting obstacles in the way of grievance settlements.

2. Interpretation of contract.

Company won't give supervisors authority to grant any concessions.

Company has disregarded precedents and agreed-upon interpretations.

3. Settlement of grievances.

Company fails to discipline supervisors where disciplinary action is necessary and has been promised.

THE CONTRACTUAL DEFINITION OF A
GRIEVANCE

In industries where collective bargaining is well established and both management and labor have acquired confidence in the techniques of grievance procedure and arbitration, contracts are usually so worded that any of the grievances listed above may be taken up through the authorized machinery. . . .

Not all union agreements permit such a broad definition of arbitrable grievances. The jurisdiction of the arbitrator and the nature of the grievances which may be taken to him for final settlement may, of course, be limited by the parties to whatever extent they find advisable. Thus some agreements specifically state that no question of a general wage increase may go to arbitration. A considerable number of contracts specifically limit the authority of the arbitrator to questions involving the "application and interpretation of the terms of the contract."

Generally speaking, however, contracts which undertake to spell out the specific types of grievances which the union may or may not take up are usually confined to newly organized industries where the parties have not yet acquired sufficient confidence in each other or in the techniques of collective bargaining. In such cases, complaints involving wage rates or wage systems, workloads, methods of production, installation of machinery, or, as stated in one contract, "any matter clearly within the exclusive field of management functions," may be barred from the grievance and arbitration channels. . . .

As the definition of a grievance is narrowed, the number of complaints that cannot be considered increases. These unsettled grievances may become the cause of major disputes. They may arise from a basically unhealthy condition which management would gladly correct if brought

to light. Eliminating such symptomatic conditions as they arise often heads off in advance many serious grievances.

On the other hand, grievance procedure should never be misused to alter the contract illegally. Most contracts contain specific provisions for negotiation of amendments or renewals. Nothing annoys one party more than the suspicion that the other is using the grievance machinery to make some basic change in the contract which it could not accomplish by straight-out negotiations. The hosiery workers' agreement, with its extremely broad definition of the sort of grievances or disputes which may be taken through the grievance procedure to arbitration, still contains the following typical prohibition against any alteration in the terms of the contract:

"It is understood and agreed, however, that the Impartial Chairman shall not have power to alter, modify, or change the terms of this agreement."

The reason for such prohibition is clear. Were it possible to alter general wage rates, the seniority structure and other basic clauses through the grievance procedure or arbitration, the entire agreement would become worthless.

Good faith and a sense of proportion are the best possible guides in answering the question, "What is a Grievance?" Contractual provisions defining the scope of the grievance procedure and arbitration are the result—not the cause—of prevailing industrial relations and procedures.

Generally speaking, the demand for a narrow, legalistic definition of a grievance disappears as the collective bargaining relationship becomes more mature. Mutual suspicion is replaced by good faith. Abuse of the grievance procedure for political or organizational purposes becomes rarer as the union attains maturity and self-confidence. The grievance machinery proves its value to management as a means

of eliminating many of the underlying causes of industrial unrest. More than that: thoughtful attention to complaints about working conditions often results in constructive suggestions for specific improvements in production methods.

MANAGEMENT CAN ALSO HAVE GRIEVANCES

Collective bargaining is a two-way street and management may at times have just cause for bringing complaints against the union or against an individual employee. Sometimes management complains that the grievance machinery seems to be designed exclusively for the benefit of the union since the workers make all the complaints. Where such a situation exists it is usually because management ignores the grievance procedure and puts through a discharge or other disciplinary action without prior consultation.

Many grievances of this sort could be avoided by prior complaints to the union about the conduct of a worker which may

seem to call for disciplinary action. In this way, the union shares responsibility for whatever action is taken instead of merely playing the role of critic.

Some contracts make specific provision for procedure in cases of management grievances. Even where such a provision is not actually written into the contract the grievance procedure works best when the union representatives and employees remember that they are both partners to the bargain.

Just as the freest possible interpretation of what is a worker's legitimate grievance helps to eliminate all causes of resentment, real or imaginary, so management's right to present a grievance helps the union recognize and modify those of its practices which cause management unnecessary inconvenience. The great advantage of such a free exchange of criticism is that management and the union can discover unhealthy conditions more quickly and in many cases may remedy such conditions before a grievance is actually presented.

TYPICAL EXAMPLES OF MANAGEMENT COMPLAINTS

TYPE OF GRIEVANCE

COMMON CAUSE

A. Dissatisfaction with individual worker.

1. Complaints concerning discipline.

Disregard of plant rules.
Disregard of supervisor's orders.
Disregard of safety regulations.
Repeated tardiness or absenteeism.
General irresponsibility.
Soldiering on job.
Slowing down for time studies.
Poor work.

2. Complaints concerning work.

B. Collective bargaining.

1. Violations of contract.
2. Disputes over interpretation of contract.
3. Complaints about grievance settlements.

Company thinks that the Union—
Lacks good faith.

"Cooks up" complaints.
Fails to obtain facts before presenting grievances.

TYPE OF GRIEVANCE

COMMON CAUSE

4. Alleged failure of union to live up to promises.

C. Miscellaneous.

1. Questionable methods of soliciting union members.
2. Union rules conflicting with terms of agreement.
3. Irresponsible charges against management by union leaders in press, leaflets, or public speeches.

WHY SHOULD THE PROCEDURE BE FORMALIZED?

There are many important advantages in standardized grievance procedure. First, it reduces the possibility of conflicting decisions. In a large plant with many supervisors and stewards such conflicts would occur frequently if written records and regular channels of appeal were not provided.

Secondly, formal procedure eliminates the possibility of people making decisions without the proper authority. . . . Under the formal procedure, each adjuster knows exactly how far and over how many people his authority extends. First-line supervisors and stewards know that decisions involving company or union policy must be reserved for higher officials.

In the third place, arguments over facts are greatly reduced by the use of the written grievance form. If a case is appealed up the ladder, many different people must handle it. Only a written statement signed by each person involved can avoid future arguments as to what actually took place.

Company thinks that the Union—
Spends too much time on grievance work.
Won't give stewards authority to make concessions to the company.

Disregards precedents and agreed-upon interpretations.

Fails to take disciplinary action against union member or representative where necessary.

Misrepresents management's attitude toward new employees.

Interferes with management's freedom by passing restrictive rules in conflict with the agreement.

It also prevents any adjuster—either for the union or for management—from denying his action. . . .

Finally, formal procedure reduces the number of unfounded grievances. When the worker has to write out a complaint on a special form and sign his name to it, the number of trivial complaints turned in to the union are usually sharply reduced. . . .

Once an atmosphere of mutual confidence has developed, most unions favor the written grievance form. It protects the steward from the kind of worker who kicks and then backs down when his grievance is actually presented to the foreman.

Orderly procedure helps to build such mutual confidence in a very important way. By making all decisions open and on the record, the possibility of illegitimate understandings is largely eliminated. Charges of favoritism or dishonesty which might be made against either steward or foreman are avoided, and any grounds for

suspicion real or imaginary, are eliminated.

Records of all adjusted grievances are often kept on file at the union office and management's industrial relations office. Such a record provides both sides with an over-all picture of the day-to-day working of the contract, with special emphasis on any particular sore spots. This information may prove of great value when renewal of the contract comes up.

THE FIRST STEP

No aspect of grievance procedure has been the subject of more controversy than the so-called first step. Employers have generally insisted that the aggrieved employee should go to his foreman alone before bringing in the steward. Unions, on the other hand, contend that the individual worker needs the assistance and moral support of his steward to prevent the possibility of being talked out of his grievance by the foreman. Furthermore, they claim, if some employees go to their foreman alone while others take up their cases through the union, the foreman may play favorites with the former group.

The legal argument on this question has revolved about Section 9 (a) of the National Labor Relations Act which provides that:

"Representatives designated or selected for the purposes of collective bargaining by the majority of the employees in a unit appropriate for such purposes, shall be *exclusive* representatives of all the employees in such unit for the purposes of collective bargaining in respect to rates of pay, wages, hours of employment, or other conditions of employment: *Provided*, That any individual employee or a group of employees shall have the right at any time to present grievances to their employer.

In its interpretation of this section, the

National Labor Relations Board made it clear that the proviso could not be used to promote individual bargaining, which "would undermine the entire process of collective bargaining." In other words, this provision deals only with the formality of the *method of presentation* of grievances, while the more important matter of *settlement* is left to be governed by the collective contract. Moreover, even as to the method of presentation, the employer may not establish and announce a procedure for the presentation of grievances by individual employees separate from the procedure set up under the union contract.

The War Labor Board has sought to carry out the spirit of Section 9 (a) without any one hard and fast formula. It has denied an employer's request to include in the contract specific reference to the rights of individual employees "since the full effect of Section 9 (a) is accorded employees by law." By and large, it has directed the parties to include a provision that the employee in taking the first step in the grievance procedure may proceed "with or without his steward."

The solution to this problem—as to most other problems of collective bargaining—lies chiefly in good faith and common sense. In reality, foremen constantly make adjustments of minor complaints without the formality of having any official grievance presented. On the other hand, very few major grievances ever start their official course without the knowledge and backing of the union.

Foremen and stewards settle many grievances at this first step. But if they cannot reach an agreement, the case may then be appealed as set forth in the agreement.

Generally speaking, the number of steps in the appeal machinery depends on the structure of the company.

ARBITRATION

Where union and management cannot settle the grievance through the negotiations already outlined, an increasing number of contracts provide that it be submitted to arbitration. Arbitration is the method of settling a dispute between two parties by a third party who is impartial and whose decision both original parties agree in advance to accept.

The War Labor Board has repeatedly exercised the full weight of its authority in urging management and labor to include arbitration in their contracts, as the final step in the grievance machinery. In order to encourage this procedure the Board has also refused to review arbitration awards made pursuant to collective bargaining agreements in other than wage stabilization cases.

The establishment of a special arbitration division within the Conciliation Service of the U. S. Department of Labor, the arbitration work of many State conciliation services, and the growth of private agencies in this field all testify to the increasing use of this method of final settlement of disputes.

The presence of a third party prevents the possibility of a deadlock. It also provides an easy way for a compromise agreement where both sides can yield something without losing face with their group. In practice, the mere fact that an impartial umpire is available often encourages the parties to arrive at a settlement without appealing to him.

The matter of expense has proved serious on occasion. However the cost of industrial warfare is far greater than that of arbitration. Moreover the recent extension of Government activities in the field of arbitration has placed the services of experienced arbiters within the means of even the smallest groups today.

Objection to entrusting major decisions

to an outsider usually vanishes after the company and union have had some experience with arbitration procedure and have acquired confidence in the fairness and integrity of the arbitrator.

Finally, arbitration as the last step in the grievance procedure is a necessary adjunct to a no-strike provision. Otherwise the final say rests with one side only—management.

It must be borne in mind, however, that *arbitration is not a substitute for collective bargaining*. The success of arbitration as the final step in the grievance procedure depends largely on how well the grievance machinery functions in the first steps.

In the words of a veteran arbitrator:

"If a majority or a substantial percentage of grievances are sent to arbitration, the system breaks down. . . . Arbitration offers a way to force issues to settlement when the management or the union is obdurate, but obviously, when there is no spirit of conciliation present, arbitration becomes a fighting field with the attendant consequences."

Furthermore, where there is a tendency to avoid responsibility for direct settlements between union and management by "passing the buck" to the arbitrator, the effect on collective bargaining may be serious.

The consequences of such action can be particularly dangerous where the interested parties rely on the Government to provide the arbitrator. Not only will there be delays in settlements which might have been avoided through direct negotiation, but an attitude of irresponsibility toward collective bargaining at the lower stages may develop.

HOW LONG SHOULD IT TAKE TO SETTLE A GRIEVANCE?

Nothing is more important about grievance settlement than promptness. Grievance proceedings that drag out usually

give rise to a suspicion of stalling. In such a case, even a favorable decision is likely to be criticized as having been yielded begrudgingly.

LEE H. HILL

and CHARLES R. HOOK, JR.¹

Some Management Problems

The management that is concerned about the welfare of its employees should be alert in providing an adequate grievance procedure to permit consideration of employee grievances by various levels of company supervision, from the immediate foreman to top management.

Of all the operational clauses—i.e., clauses setting forth the day-to-day operational procedures, and including grievance handling, seniority, transfers, promotions, etc.—the most basic is the grievance machinery. Upon the grievance machinery and procedure and the manner in which they are carried out depends the smoothness of day-to-day operations under the agreement.

The grievance procedure is the core of the collective-bargaining agreement. If grievances are not handled properly and effectively, the agreement becomes ineffective. On the other hand, grievances, when handled properly, provide a safety valve for the expression of employee dissatisfactions. Grievances provide a mechanism for correcting undesirable practices or conditions. Grievances constitute a channel of communication informing top

management of those things concerning which employees or the union feel strongly. Therefore, the grievance machinery may very properly be considered as a protection to both union and management and at the same time as a device for increasing the happiness of employees on their jobs.

Some companies have realized that the very word "grievance" arouses emotions that interfere with the peaceful settlement of maladjustments, and have avoided the use of the word grievance. In one case, the agreement refers to "problems" rather than grievances, thereby inviting a more balanced approach to employee problems.

It must be borne in mind, however, that the grievance machinery itself may be a fruitful source of grievances. Accordingly, it is important that the contract clearly define

1. A grievance under the contract;
2. The various steps through which a grievance may be initiated and appealed;
3. The representatives of union and management responsible for handling grievances at the various stages; and
4. The rights of union representatives to be absent from their work and to interview designated management representatives in handling grievances as provided in the agreement.

The more clearly these phases of the grievance procedure are defined in the agreement, the less likelihood that the grievance procedure itself will give rise to endless grievances. Precision in defining the grievance procedure will eliminate a great deal of friction that may otherwise result.

While the importance of an adequate grievance procedure in the agreement can hardly be overemphasized, this is not enough. Both company and union must sincerely attempt to make the grievance procedure serve the purpose for which it was intended, or the best conceivable

¹ By permission from *Management at the Bargaining Table* by Lee H. Hill and Charles R. Hook, Jr., copyright 1945 by McGraw-Hill Book Co., Inc., New York, 1945, pp. 199-203, 212-13, 216-19.

grievance procedure is useless. If the company, on the one hand, does not pay adequate attention to the actual operation of the grievance procedure; or if the union, on the other hand, abuses the grievance procedure and uses it as a harassing organizing or negotiating technique, the grievance machinery will not operate properly no matter how well it may be defined. The handling of grievances, more than any other aspect of the employer-employee relationship, is a test of the good faith of the parties involved. . . .

The grievance machinery should provide a final method of settlement of any matter properly brought up as a grievance under the agreement, but it should not serve as a means for modifying the existing agreement (except by mutual agreement properly reduced to writing). . . .

Not to be overlooked, particularly in cases where arbitration is provided for, is a provision whereby the company may file grievances against the union for actions contrary to the collective-bargaining agreement.

Finally, the grievance procedure may provide for arbitration of unsettled grievances. If arbitration is provided, it is of extreme importance to define and limit the kinds of matters that may be considered by the impartial referee, either by an appropriate definition of a grievance or by a precise statement of the referee's jurisdiction. In addition to jurisdictional matters, the arbitration procedure should contain provisions for the selection of a referee, the sharing of costs between the company and union, and a statement whether the same referee should act in all cases or whether an individual referee should be selected in each case. When the same referee acts in more than one case, a procedure for the determination of the tenure of the referee who is unsatisfactory to either party should be considered.

DEFINITION OF GRIEVANCE

Of primary importance is a clause setting forth the definition of a grievance under the agreement.

Many grievance procedures end at the level of top management in the plant, but there is a growing tendency to add compulsory arbitration by an impartial referee as the final step. Many companies, without arbitration in their grievance procedures, have permitted practically every complaint or request to be treated as a grievance. This procedure was not seriously objectionable when management itself made the final decision. But if arbitration is added to a contract having a loosely drawn definition of a grievance, management may unwittingly transfer to a third person certain functions and responsibilities that only management should assume and that management should not relinquish. . . .

Pay for Union Representatives for Time Lost from Work. In those plants in which grievances are handled by employees of the company rather than by a business agent, the question arises whether union representatives should be paid by the employer for time lost from work in handling grievances. A corollary question is whether the contract should limit the amount of time that can be spent by union representatives in handling grievances.

Unions usually contend that the settlement of grievances is as important as any other service in the operation of a plant and that the employers should bear the full expense by paying the union representative for the time he loses from work in handling grievances. Some employers agree. Others argue that the handling of grievances is a legitimate union function and should be paid for by the union. Still others believe that the union representative should be paid by the employer, but

at a lower rate of pay than he would receive for production work.

If the settlement of grievances is desirable, and all parties are in agreement that grievances should be settled as soon as possible, then it is to the advantage of all parties to have the most responsible people act as union representatives. To encourage the better men to accept such positions, it is desirable to provide payment for time lost in handling grievances, in order that union representatives need not make personal sacrifices in order to perform their functions. On the other hand, experience has shown in some cases that, if union representatives are paid the average earned rate for time lost from work in handling grievances, an unnecessary amount of time may be utilized in handling or even in cultivating grievances.

Some employers feel that the union representative should be paid by the employer but that the amount of time per day or per week that a steward may spend in handling grievances should be limited to some figure such as, for example, 2 hours a week. Where such a maximum amount of time is set, it has been found in some cases that the steward is likely to spend that much time on grievance handling whether he needs it or not. Conversely, the maximum hours provided may not in some cases give ample opportunity for the steward to handle legitimate grievances.

Some managements effectively limit the time lost from work by union representatives on grievance handling by not paying union representatives for time lost from work. In such cases, the company requires the stewards to punch out, leaving it to the union to pay its stewards for time spent in handling grievances. When union money is involved, less time is usually spent in handling grievances. On the other hand, stewards who are handling grievances on "the union's time" are likely to be less amenable to company regulations, feeling that they are on their own time.

The compromise between the extreme positions is for the employer to pay union representatives at less than their normal earnings for time lost from work in handling grievances. For example, if the steward is on incentive work, he may be paid only his minimum rate for time spent in handling grievances. Or he may be paid three-fourths or half of his normal earnings for such time.

Whatever the arrangement for paying union representatives for time lost from work, the contract should provide that stewards are not permitted to leave their work without the foreman's permission and should not in any case be permitted to spend an unreasonable length of time on any one grievance. . . .

Company Grievances. Every contract providing for an impartial referee as the final step in the grievance procedure should include a mechanism that the company may utilize for presenting grievances against the union. In this way, the employer also benefits by the referee procedure. The clause may be very simple. The following illustrates a typical form:

"The Company may utilize the following procedure upon any grievance against the Union or any of its members.

"First: Presentation of complaint in writing to the officials of the Union.

"Second: If no satisfactory adjustment is obtained within seven (7) working days, then the Company shall have the right to have the matter handled in accordance with the procedure outlined above for appealing grievances to the impartial referee."

While the employer may, as a matter of practice, not utilize the grievance procedure against the union to any great extent, the possibility of recourse to a referee may be of assistance in persuading the union to live up to its agreement. Company appeals to the referee, because of their moral effect, may also be helpful in preventing gross abuse of rights and priv-

ileges granted to the union by the agreement, and may serve as a means of obtaining an interpretation of the contract when the company and the union disagree, but the union fails to appeal the question to the referee. On the whole, arbitration has been largely a one-way device in the past; and managements may well consider whether they have not, by default, permitted unions to monopolize what could be a useful mechanism in the hands of management.

Arbitration. Arbitration or, more properly speaking, reference to a referee, is one of the most controversial subjects in the field of collective bargaining. Some companies believe that nothing should be arbitrated unless it be by mutual agreement in each case. Other companies believe that any matter in dispute should be arbitrated. Still other companies believe that the realm of arbitration should be strictly limited.

Without attempting to assess the merits of these various positions in detail, several comments are pertinent. Some management representatives feel that it is best to have limited arbitration in the contract; on the other hand, there are many unions which have recently again begun to object to arbitration on the basis that it is too expensive and that management will take a lot of grievances to arbitration simply to break the union. From the point of view of management, it should always be remembered that, if management wants to use arbitration as a safeguard, it can do so under a system of voluntary arbitration if it can get agreement from the union, even though arbitration is not provided in the contract.

In voluntary arbitration, the two parties mutually agree to submit the dispute to arbitration. The refusal of the union to submit the dispute to arbitration would simply indicate that it prefers to strike rather than arbitrate. On the other hand, management would not be continually

subjected to unending arbitration as a harassing tactic, as sometimes happens in agreements providing for compulsory arbitration, i.e., a contractual provision that either party has the *right* to take a matter to an impartial referee.

Those who believe that the contract should provide for arbitration argue that, if the parties wait until dispute arises, it is not likely that agreement to arbitrate can be reached while feelings are running high on both sides. On the other hand, if there is a provision for arbitration in the agreement, it is possible that both sides might adopt a more reasonable attitude and avoid the need for arbitration, thereby eliminating both an arbitration case and the possibility of a strike.

Arbitration as used here means the reference to an impartial referee of a question of interpretation of the contract or alleged violation of the contract concerning which the company and the union are unable to agree. Compulsory arbitration of other matters—such as disagreements in negotiating a new contract, or the question whether management has discharged a specific function properly—is an entirely different matter. Management may be perfectly willing to have a third party *interpret* a contract: but it is an entirely different matter to agree to let a third party *write a new contract*.

One aspect should be clear: arbitration, whether circumscribed or unlimited, is a mechanism by means of which matters that were previously within the sole discretion of management become subject to decision by a third party—a third party who usually

1. Does not have management's intimate knowledge of the background, personalities, conditions, costs, or probable results of making a specific decision; and

2. Is not responsible for results. Management must live with the results of its own decisions, and can correct its own errors. The referee is absolved of re-

sponsibility after he makes his decision. Whether it is workable or not, his decision is final (if he acts within his jurisdiction). . . .

It should not be overlooked that compulsory arbitration lends itself to the union's drive to whip up interest during bargaining negotiations. A referee, even though he may, on the merits, rule in favor of the company on many of the cases appealed to him, might be tempted to soften the effect of his ruling by rendering some critical remarks on the company's policies or conduct of specific matters. Such remarks can easily be seized upon and quoted out of context to persuade rank-and-file employees that they need the union to defend them against the company's "arbitrary" acts and that they must therefore support the union's demands, whether they are really in sympathy with those demands or not. On the other hand, a ruling adverse to the company makes excellent union publicity. From that viewpoint, the union stands to win no matter how the decision goes. If referees were more alert to the use (or abuse) made of their opinions and decisions, they might more successfully resist the impulse to insert personal opinions or obiter dicta into their decisions.

UAW-CIO¹

Handling Grievances

STUDY YOUR CONTRACT

In plants where contracts have been signed between the UAW and management a procedure for handling grievances

is usually written into the contract itself. In all plants where collective bargaining is carried on, a good steward should know the contract practically by heart.

The contract is a constitution governing union-management relationships. No one can hope to handle grievances successfully without a full knowledge of its provisions. A lawyer must know something of the law before he is allowed to plead cases in court. You must know your plant law before you handle grievances.

In too many cases stewards learn the contract from foremen, and they learn it too late—after grievances have been lost.

See to it that your stewards' council holds full and complete discussions on the contract immediately after it has been signed for the year. Talk it over and ask questions about it until you are sure you understand its full meaning. Insist that your contract be written in the simplest, clearest language possible.

KNOW YOUR GRIEVANCE PROCEDURE

UAW contracts set forth many different procedures for handling contracts. Some contracts require that grievances be written out even before they are presented to the foremen. Others do not call for written grievances until an unsettled grievance is appealed to the highest officers of the company.

According to many UAW contracts, the worker with a grievance must first take it up with the foreman. However, even in those cases the worker should get in the habit of always going to the steward first. The company wants the workers to deal with the foreman first. That undermines the shop steward system, and therefore undermines the union. Build the union and strengthen the shop steward system by making it a rule that **WORKERS WITH GRIEVANCES ALWAYS GO TO THEIR UAW SHOP STEWARD FIRST**. Then the aggrieved worker,

¹ International Education Department, UAW-CIO, *How to Win for the Union*, Detroit, May, 1941, pp. 8-19.

together with the steward, negotiates with the foreman.

Even greater differences are found in the procedure for handling grievances when the foreman has refused to give a satisfactory settlement. An unsettled grievance will go either to the stewards council, a shop committee member, shop committee, or executive officer of the local union. . . .

SHOULD GRIEVANCES BE WRITTEN OUT?

No union can carry on businesslike collective bargaining unless its stewards and representatives are trained to write grievances fully and accurately. The difference between success and failure in grievances which are to be appealed is often to be found in the completeness and accuracy of the facts set down on the grievance blank.

Remember, as you write out a grievance, that it may be negotiated by union representatives who will depend almost entirely on the information you give them in fighting for a fair settlement with the company. Your facts are their ammunition. *Don't send your negotiators in with wet powder. . . .*

KEEP COMPLETE RECORDS

In many plants a complete written record of grievance settlements is a tremendously valuable thing. When you have won a favorable settlement to a grievance, try to get the company's signature to final adjustment. Or at least secure careful notes at the bargaining conference. (Don't trust company minutes.) This should be done, if possible, on all important complaints settled by foremen in the shop.

With this material on past settlements on file you will be able to settle future grievances of the same kind, according to the decisions you have already won. In

this way your day to day settlement of grievances will build up to a valuable supplement to the general contract. The contract is your constitution, and the settlement of grievances under it are the decisions of an industrial supreme court. *A complete record of such decisions is sometimes more important than the contract itself.*

It should be noted that even when the steward settles the grievance orally, the grievance and the decision should be written out and filed for reference later on. Unless you keep a good record of verbal agreements, the foreman may try to deny the entire matter.

RELATIONS WITH STEWARDS

The secret of successful collective bargaining lies in good working relationships between shop stewards (plant committeemen, under some contracts) and company foremen.

The best contract in the world may be signed between union officers and corporation executives; but, unless that contract is enforced and put into effect throughout the shop it is worth a little bit less than the paper it's written on. This is the job of the steward in his dealing with company foremen.

Where union organization is new, the problem of educating foremen to collective bargaining may be one of the toughest jobs the union has to face. Before organization came into the plant, foremen were little tin gods in their own departments. They were accustomed to having orders accepted with no questions asked. They expected workers to enter into servile competition for their favors.

With the coming of the union, the foreman finds the whole world turned upside down. His small-time dictatorship has been overthrown, and he must be adjusted

to a democratic system of shop government. Naturally many foremen resent this change and continue a hostile attitude toward the union even after higher company officials may have decided to "work along with the union."

This makes the steward's problem difficult. He must convert the foreman to the democratic processes of collective bargaining and establish a sound working relationship with him as an individual.

Many inexperienced committeemen and stewards feel that the way to do this is to get tough with their foremen. They feel that threats and fist-banging will do the job for them. In 1937 some UAW committeemen used these methods.

Experience has shown that this approach does not work forever. Stewards, of course, must be prepared to turn on the heat when necessary; but they must also know how to approach foremen and other supervisory employees with a reasonable and business-like attitude. Patience and a friendly attitude will go a long way towards getting results.

The business of the steward is not to fight with his foreman but to get grievances settled to the satisfaction of the men whom he represents.

HERE ARE SOME SUGGESTIONS FOR GETTING ALONG WITH FOREMEN:

Although the foreman represents the interests of the company as opposed to the workers, he is also a human being. Approach him like one. Find out what he is interested in. If he is a baseball fan, a little talk about batting averages won't hurt anything. Or if he likes fishing, you can discuss that. Occasional talks of this kind will not make it any harder to get down to business on grievances.

Don't give your foreman reason to believe that you are trying to bluff him. A

reputation for honesty and good judgment is essential to your success in collective bargaining.

Hold down on personalities and name-calling. It won't help to settle grievances. And you can be even more forceful, when the occasion demands, if you have something in reserve. Try to avoid personal spite against a foreman because of unfair policies he is ordered to carry out by top management.

If a foreman tries to bully you or talk you down, talk back quick and hard, but keep your temper. A lost temper usually means a lost argument.

Various forms of pressure will bring results from foremen who are trying to be hard. With some men publicity in local union papers or bulletins brings results. With others, reports to top management on trouble-making foremen are the best medicine.

In plants where top management is sincerely anxious to work along with the union, a chronically disruptive foreman will be disciplined by his superiors.

Your relationship with the foreman should be that of equals seeking a solution to a common problem. But don't forget: the stronger the organization behind you, the more powerful your arguments will be.

Don't allow the grievance machinery to be short-circuited. Guard against the foreman who encourages workers to settle grievances with him individually without regard for the union bargaining machinery.

Such foremen are seeking to bribe workers away from the union by offering special favors on grievances brought up behind the union's back. The steward should make it clear to the men in his department that this is an attempt to disrupt collective bargaining and to deprive everyone of the power to secure satisfactory settlement of grievances.

Where the union has won sole collective bargaining rights, the steward can insist that no grievance be settled without him. Under the National Labor Relations Act, the worker has the right to *present* an individual grievance. But the Company has no right to *negotiate* and *settle* with him as an individual.

Try to settle as many grievances as possible without allowing them to pass to the higher stages of the grievance machinery. Higher officials will almost always seek to avoid overruling their subordinates. A little more pressure on your foreman or superintendent may win a satisfactory settlement which higher officers of the company would not be willing to give.

Insist that foremen be authorized to settle the general run of grievances.

WHEN IS A GRIEVANCE NOT A GRIEVANCE?

Obviously when a complaint is not founded on facts, the steward is making a dangerous mistake in trying to make a grievance out of it. By so doing he damages the union's position both with the union membership and plant management. The workers have been led to expect results when none could possibly be obtained, and the union's reliability has been discredited with management.

When confronted with a phony grievance of this kind the steward's first job is to explain courteously and fully to the worker why his grievance could not hold water. If the man is still not satisfied that he has been dealt with fairly, he has the right of appealing the steward's decision against handling the grievance to higher officers of the union, and if need be, even to the membership of the local at a regular meeting.

Naturally, the steward should always be ready to give a union member the benefit of the doubt on all borderline cases.

INTERPRETING THE CONTRACT

The steward's greatest difficulty will come on grievances which do not appear to be covered by the terms of the contract. On a demand for action from a worker which is directly contrary to the written contract, the steward has no choice but to say no. But many cases will arise in which justifiable complaints do not seem to be covered one way or another by provisions of the contract.

In such a situation the steward or plant committeeman goes through his contract with a fine-tooth comb to find some provision which will cover this particular situation. If the issue is one of any importance he will get the help of his local union officers in this.

In practically all cases where a worker has a legitimate complaint it will be possible to find some clause of the contract which, with a little pulling and hauling, can be made to cover the situation. Lawyers have been able to use a Constitution written over 150 years ago to cover the complex issues of modern life. A bright steward should be able to do just about as well with his contract.

With the new situations constantly developing in our industry, cases will inevitably arise which cannot be handled in any way under the contract. The steward's only recourse in such situations is plain common sense. If the issue is an important one he can appeal to the local on it for the formulation of policy. Then the issue may be negotiated by the top bargaining committee with management for a supplement to the agreement covering the new development.

If the issue affects only a very small group of workers, an appeal can be made to the company for a favorable adjustment. This appeal can be based upon principles of fair play and the maintenance of good relations between management and the union.

THE BUREAU OF NATIONAL AFFAIRS¹

in accordance therewith; otherwise, the grievance shall remain a subject of collective bargaining.

Grievance Clause

Should a dispute arise between any employee covered by this agreement and the Company as to any question or grievance, the employee, the Brotherhood, and the Company will endeavor to settle the matter in the simplest and most direct manner. However, a grievance must be presented in writing within fifteen (15) days of its alleged origin in order to be considered. The procedure shall be as follows:

(a) Between the aggrieved employee or member of a grievance committee of the Brotherhood, and the immediate superior of the foreman under whom the employee worked, after the grievance has been stated in writing by said aggrieved employee or grievance committee, and a copy thereof delivered to the foreman's immediate superior, and a copy to the Vice-President and Manager of the Company's Western Division;

(b) Between local representatives of the Brotherhood and the head of the department in which the aggrieved employee works;

(c) After an interval of three (3) days between local representatives of the Brotherhood and the Vice-President and Manager of the Company's Western Division or his authorized representative; or between an International Representative of the Brotherhood and the Vice-President and Manager of the Company's Western Division, or his authorized representative.

(d) If the grievance is a matter within the terms and provisions of Section 31 hereof, then the same may be arbitrated

THE BUREAU OF NATIONAL AFFAIRS²Case History
of a Grievance

Presented below is the record of a grievance as handled under a collective bargaining agreement between the United States Gypsum Company and District 50 of the United Mine Workers. The record is supplied through the courtesy of the union. Preceding the record is a brief explanation of the terms used and the text of the contract clause relating to handling of grievances. Following the record is a statement by the union of the steps recommended in the event that the attempts to reach a settlement, which actually were successful, had been abortive.

The following model procedure in handling grievances from the first complaint to final settlement illustrates the action of the shop steward, the stewards' council and the general grievance committee, showing in each step the contacts made with the company, the manner in which they were made and the records that were kept.

The terms "shop steward," "stewards' council" and "general grievance committee" are defined as follows:

A shop steward is a union member chosen by workers in a particular depart-

¹ The Bureau of National Affairs, *Collective Bargaining Negotiations and Contracts*, Washington, D. C., 1947, p. 51:482.

² The Bureau of National Affairs, *Collective Bargaining Contracts*, Washington, D. C., 1941, pp. 67-72.

ment or in a portion of it. It is recommended that one be chosen for each 25 workers. His duty is to present to the foreman of each department grievances which individual employees are unable to adjust with their foremen.

The stewards' council is an advisory body consisting of all stewards. Its presiding officer is known as the chief steward. Cases which individual stewards have failed to settle are referred to the council, which decides whether to pursue them further by referring them to the general grievance committee. In small shops the stewards' council acts also as the general grievance committee.

The general grievance committee is a committee of the stewards' council, consisting of five chosen members with the chief steward and the president of the union's local as members *ex officio*. This committee meets with the management to press any unadjusted grievance which the stewards' council passes on to it.

The contract clause under which the system operates is as follows:

"Should any difference arise between the Company and the Union, or its members, as to the meaning and application of this agreement, or should any local trouble of any kind arise in any plant, there shall be no suspension of work on account of such differences but an earnest effort shall be made to settle such differences immediately, in the following manner:

"First, between the aggrieved employee and the foreman of the department involved;

"Second, between a member or members of the Grievance Committee, designated by the Union, and the foreman or superintendent of the department.

"Third, between a member or members of the Grievance Committee, designated by the Union, and the general superin-

tendent or manager of the works, or his designated assistant;

"Fourth, between the representatives of the National organization of the Union and the representatives of the executives of the company; and

"Fifth, in the event the dispute shall not have been satisfactorily settled, the matter shall then be appealed to an impartial umpire to be appointed by mutual agreement of the parties hereto. The decision of the umpire shall be final. The expenses and salary incident to the services of the umpire shall be paid jointly by the company and the union."

The case history of a grievance, as described in the union's booklet "Grievance Machinery and How to Make It Work," follows:

FACTS

John Johnson has worked for U. S. Gypsum (Fort Dodge, Iowa, plant) for 12 years and in the Wallboard Department for 8 years as a warehouseman. Glenn Brown has been working for 5 years on the machine side of the Wallboard Department. In October, 1938, the Company decides to install gas burners instead of steam on the machines. It is a 4-week job. Both Johnson and Brown could qualify to do the work. On November 1, 1938, Johnson is laid off; Brown is retained to do the installation while temporarily the Department is not operating.

First Step—Protest to Foreman. Johnson protests to Roy Carson, his foreman, stating that he is entitled to do the work because of greater seniority than Brown. Carson says he can do nothing about it; he acted on orders from the General Foreman.

Second Step—Complaint to Steward. Johnson calls at the house of Thomas Gray, his Department Steward, that same

night and tells him the story. Steward Gray fills out a Grievance Report in duplicate as follows:

Third Step—Grievance Report.

GRIEVANCE REPORT

Local Union No. 12109

U. S. Gypsum Company

Fort Dodge, Iowa

John Johnson, Union Ledger No. 158,

Age 38

Wallboard Department

Warehouseman

Check No. 136

Nature of Grievance: Laid off Nov. 1, 1938, while gas burners installed in place of steam on Board Machines. Glenn Brown, an operator in the same Department, with less seniority, both plant-wide and departmental, permitted to work on the installation in preference to John Johnson. The work was not skilled and Johnson could qualify. Article III, paragraphs 1 and 2, of agreement violated. Back pay from date of lay-off demanded.

(signed) John Johnson

Fourth Step—Investigation. Although Steward Gray is convinced this is a just grievance, he does not sign his name to the Report until he has checked Johnson's story in every detail and lined up other workers who will support the essential facts of the case as stated in the report.

Fifth Step—Aggrieved and Steward Meet with Foreman. Steward Gray takes Brother Johnson to Foreman Carson, who repeats what he said before—that he is acting on orders from General Foreman.

Sixth Step—Aggrieved and Steward Meet with General Foreman. Steward Gray takes Brother Johnson to General Foreman, who states he is acting on orders from Plant Manager to use warehousemen

on the job. He refuses to adjust grievance.

Seventh Step—Filing Report by Steward with Stewards' Council. The Steward now signs the Grievance Report under Johnson's signature and turns it over to the Stewards' Council for further action. They decide the grievance is a proper one and instruct the General Grievance Committee to submit the case in writing to the Plant Manager and arrange a date for conference.

Eighth Step—Grievance Board Meets with Plant Manager. In a businesslike manner the Grievance Board presents the facts of the case. The Plant Manager agrees with the facts. He holds, however, that the Wallboard Building always consisted of two separate departments, the Warehouse and the Machine; therefore, that Article III, paragraphs 1 and 2, relative to department seniority, does not hold in this case. The Grievance Board points to the contract and shows that the rate schedules are made up on the basis of a single Wallboard Department. It points out that it is a separate building, that there is a single supervisory official in the Wallboard Department, and finally that other plants in the same industry in the same vicinity consider the Wallboard as a separate department. The Plant Manager refuses to adjust grievance.

Ninth Step—Field Representative of District 50 Meets with Management. The case is thoroughly discussed. No agreement on the issue of splitting the Wallboard Department is reached.

Tenth Step—Field Representative of District 50 Meets with Highest Officials of Company. It is decided that the Company's set-up of one building and one manager, together with the prevailing practice in the industry, is sufficient grounds for holding the Wallboard as a single department.

Eleventh Step—Final Report of the Case is Filed in Duplicate as Follows:

GRIEVANCE No. 6

FINAL REPORT

Jan. 13, 1939

U. S. Gypsum Company
and

Local Union No. 12109, Dist. 50, UMWA

John Johnson, employed as a warehouseman in the Wallboard Department, demands rehiring in that Department and back pay for time lost on ground he has greater departmental seniority than Glenn Brown, citing Article III, paragraphs 1 and 2 of the contract.

Company denies claim on the ground the Wallboard building always consisted of two separate departments before contract was signed, and that, therefore, Johnson had no rights in Brown's department which was chosen to do the temporary work of installation of gas burners.

Evidence. This case was heard in the office of the U. S. Gypsum Company, Thursday, January 13, 1939. The Company was represented by R. F. Case and G. T. Cox; the Union by R. White, F. Smith, L. Woods, S. Evitt, M. James.

Both parties agreed to the facts in the case; that Johnson had greater seniority than Brown, that the work was temporary, that Johnson could qualify to do the work. The issue is whether the Wallboard Department is one or two separate departments.

Settlement. The Wallboard Department shall be regarded as a single department for the following reasons:

1. Contract provides for rates of a Wallboard Department and no subdivisions.
2. It is contained in one building.
3. It is supervised by one General Foreman.

4. It is regarded by other plants in same industry in immediate vicinity as a single department.

Therefore, Article III, paragraphs 1 and 2 apply, and Johnson is to be rehired with back pay for all time lost.

DISTRICT 50, UMWA

By R. White

U. S. GYPSUM CO.

By R. F. Case.

This Report is presented to the next general meeting of the Local by the Chief Steward. It is filed by the Secretary of the Stewards' Council.

Steps recommended in the event of the failure of adjustment are as follows:

If the negotiations between the District Representative and the Company officials had been unsuccessful, a full report of the conference would be submitted to the District Office in Washington. If the facts warranted, further attempts to settle the differences would be undertaken by the President of the District or other International Officer.

Failure to adjust the case at this point would call for the final step of requesting the appointment of an impartial umpire. The record of each conference with management would be added to that previously accumulated in order to preserve the full history.

The matter of arbitration is a most important one for the Union. The choice of an impartial arbitrator or umpire must be made only after a careful investigation of the background of that official. When agreement is finally reached on the person selected to act as judge, arrangements are then made for both company executives and Union representatives to present facts and arguments supporting the respective position taken by each party.

Such additional information as the umpire may request is presented. Where wit-

nesses are necessary to prove certain facts in the case it is important to keep them at hand and away from improper influences. After a full hearing, study of the records and files as well as any additional evidence or testimony, a final decision is rendered. This final step should bring the case to a close.

Decisions agreed upon at any of the various stages of adjustment become part of the basic relationship between the company and the Union and indicate the policy for the settlement of other similar grievances. Because of this importance in future cases, the aim of negotiation should be primarily to arrive at a fair and just decision rather than one based on force or expediency.

Don't permit the power, position, or popularity of a single individual to shape policy. Try to arrive at the right decision even if it hurts. Only in this way can mutual respect and stability in employer-employee relations become a real fact. This is the goal of every Local Union.

AN OPEN-SHOP COMPANY¹

Grievance Settlement without a Union

The present grievance machinery at this company is contained in the paragraph of the company's manual under the following heading:

"Grievances: If you have a complaint, bring it to the attention of your foreman. If you do not receive immediate consideration, report to your superintendent, Counsellor of Employees or the Personnel Department."

In a letter addressed by the General

¹ Policy statement of an open-shop company.

Manager to the employees, supplementing the policy with respect to the procedure in grievances—this statement was made:

"This method will guarantee a fair hearing on all honest differences. Don't hesitate to use it. There will be no grudge held against you by anyone for reporting a sincere complaint. Help keep our [company] machine oiled and adjusted." Then follows the procedure on complaints:

1. Employees should present their complaints to their foreman on the forms provided in each department, depositing the bottom part in the locked suggestion box.

2. If the foreman is not able to settle the difficulty within 24 hours, the matter will then be taken up with the shop superintendent.

3. If the shop superintendent is not able to settle the difference within 48 hours, the matter will then be taken up with the Personnel Department.

4. If the Superintendent of Personnel is not able to settle the difference within 48 hours, the matter will then be taken up with the Counsellor of Employees.

5. If the Counsellor of Employees cannot settle the difference promptly, the matter will be referred to the Works Manager by the employee or the Counsellor of Employees, or both, as the employee shall elect.

6. The bottom half of the form deposited in the locked box shall be delivered directly to the Counsellor of Employees, whose duty it is to follow the matter to a satisfactory conclusion. The company wants to know of any condition which you believe can be improved, either in connection with your own job or in the plant in general. Don't stew over anything you believe can be improved. Bring it to the attention of the company in this way. If your complaint is just, it will be adjusted and recognized.

HARRY SHULMAN¹

Implications of Illegitimate Strikes

An illegitimate strike of the kind described in the contract is not merely a breach of contract. It is a serious blow against the union itself. It manifests lack of confidence in the union. It mars the union's efforts to achieve compliance by the company. It weakens the union's bargaining power in future negotiations. It is a blow to the union and its membership as it is to the company. All three must be equally concerned with its control.

The union must not deal with illegitimate strikes as if they are legitimate. The illegitimate strikers must be told without equivocation that they are fighting the union as well as the company. The strikers here should have been told plainly that it was their duty to all to stay on their jobs, subject only to the advice, if advice were needed, that they could refuse to pour only those heats on which sodium fluoride was used in such a manner as to endanger their health. They should have been plainly told that they could not refuse to pour heats on which the fluoride was not used. And the only way to make such instructions meaningful is to have other employees, particularly union representatives, do the work when the instructions are not heeded. That is not scabbing or acting like a heel. It is honorable and courageous leadership in the performance of a moral and legal duty and in the protection of the union against destruction from within, a danger sometimes greater than the threat from without.

¹ Harry Shulman, Arbitrator, *Opinion A 241*, Ford Motor Company and the United Automobile Workers (CIO), January 29, 1947.

FRANK C. PIERSON²

The Breakdown of Agreements

Frank C. Pierson is an economist at Swarthmore College.

This study has analyzed the problem of responsibility under union agreements in a variety of situations. In all of these situations violations of the agreements were frequent; in some, collective bargaining relations were subsequently terminated. The objective has been to discover why these difficulties occurred.

In order to do so, an examination was made of the circumstances surrounding each situation. Despite their seeming complexity these conditions were found to fall into two main categories: first, circumstances where one or both of the parties followed a deliberate policy of disregarding important provisions of the agreements; second, circumstances where economic factors made it difficult or impossible to maintain standards established by the agreements. The first set pertained to a variety of industries or firms where agreements had been recently established and where the agreements did not accurately reflect the bargaining strength of the contracting parties. The second set pertained to two industries in which collective bargaining had been long established and in which competition was keen.

Those facts point to the main conclusion of the study. Obligations are likely to be disregarded under newly established systems of collective bargaining, if the agreements do not accurately reflect the

² Frank C. Pierson, *Collective Bargaining Systems*, American Council on Public Affairs, Washington, D. C., 1942, p. 199.

relative bargaining strength of the two parties or if one of the parties feels this to be the case. Similar difficulties are likely to occur under long-established systems if certain firms in an industry or some segments of it are placed under serious competitive handicaps by reason of the agreements. While it is hard to say that this is

actually true of most new and old agreements, the situations that have been examined here suggest that there are strong tendencies working in these two directions. It seems quite clear, moreover, that these two sets of circumstances underlie the problem of responsibility under union agreements.

21. Wage Policies

IN THE Middle Ages, wages were determined under the guilds, only partly through conscious policy. The "just price" doctrine demanded that wages respond to the requirements of certain principles phrased in ethical terms. Wages should be neither too high nor too low. Later, *laissez-faire* theory called for reliance on atomistic market forces. The operation of demand and supply, with no deliberately organized human interference, was considered the proper mechanism for the adjustments of wage rates. In modern times, with the mass organization of labor and the development of centralized action by employers through wage leadership, employers' associations, and other devices, a greater awareness of the significance of policy has again evolved. Large organizations by their nature tend to formulate policies. One of the advantages of size is the possibility of having an effective policy determined internally rather than by external forces. Policies and efforts to effectuate them tend to supplant the free market and are intended in part to minimize its influence.

Wages are of the greatest concern to employees and employers. For employees they affect the level of living and of community status, and the degree of security which may be attained. For employers they affect costs, productive efficiency, and profits. Employees primarily consider wages as a source of income; employers consider wages as a source of expense. Out of these conflicting viewpoints much of the disagreement over wages arises.

Each party to a wage bargain needs to understand the way in which wages are geared into the thought and behavior of the other party. What objectives are they seeking? What part is played by wages in making it easy or difficult to reach these objectives? What does each assume as major premises in determining what constitutes a "proper wage"? Different answers to such questions underlie disagreement over the actual rate to be determined.

Trade unions have both slogans and policies. The slogans are devised to convince members, employers, or the public of the necessity or wisdom of certain policies. The attainment of the "American standard of life," for example, is a goal encrusted with social virtues. To understand the policies, the purposes wage adjustments serve for unions must be examined. Unions, for example, may seek to maximize the wage income of their membership or some segment of the membership. Frequently, however, they may have additional purposes in mind. A wage rate may be sought which will enable the leadership to retain office and stave

off attack by rival leaders. Or a wage rate may be desired which will still the organizing threat of a rival union. In organizing campaigns unions may seek a wage increase which will stimulate interest in the organization. Sometimes an absolute level must be attained for these purposes, at other times a certain amount of increase.

In determining their policies, unions may give more or less consideration to the costs of obtaining a certain increase through strike action, and the effects that a particular level of wages may have on the employment of their members. These are the two most important economic considerations in establishing wage policy. Since unions are politically motivated, strike costs and employment effects, if any, are largely discounted when they conflict with the political necessities of increasing or preserving influence for the leadership and the institution. The fact that unions almost never assent to the reduction of wage rates, even when the demand for labor is elastic and slightly lower rates would increase the wage bill substantially, indicates political rather than economic thinking. The emphasis on the standard rate is another indication. Unions by discriminating among employers could charge each one all the market could bear, yet they generally prefer the standard rate. In addition to its appeal to concepts of equity, it minimizes complaints. Otherwise the lower paid employees and the employers paying the higher rates would constantly exert pressure in favor of uniform treatment.

Employers also have policies. They are concerned with wages as they affect costs and labor markets. Usually the effect on costs for the individual employer is so much greater and more immediate than the effect on markets that it is by all odds the more important. In general, employers seek wage rates which will maximize profits. Wages should be high enough to attract a sufficient number of efficient workers and to call forth their unrestrained productive effort by discouraging strikes or other evidences of dissatisfaction. Beyond that the employer need not go, nor does it pay him to do so voluntarily.

The employer left to his own devices has considerable latitude in setting wage rates, if attracting workers and discouraging strikes are his aims. The market, unless controlled, does not usually offer a uniform rate as a guide but rather a band of rates within which the employer can make his selection. At the lower limit is the point at which adequate numbers of employees could not be retained and the upper limit is the point at which higher rates are unnecessary for the particular firm and where by tacit understanding they would create difficulties for other firms. When unions organize and employers organize also, the determination of policy becomes more complex. The effects on the unions and on other employers become more important. Employer wage policy may be used to encourage or discourage union organizational drives, or to favor one union or handicap another. What one employer and one industry does helps establish standards for wage adjustments by other employers or industries. Union resistance to downward adjustments in depression encourages employer resistance to raising wages in prosperity. The general consequence is reduced flexibility of wage rates.

In appealing to each other but particularly in efforts to convince the public or an arbitrator, both parties refer to certain standard criteria. They may be taken as constituting the current definition of the "just price." Wages should be adequate to maintain a minimum standard of life. They should bear some relation to changes in the cost of living. Ability to pay or inability to pay should exert some influence. Wages paid or wage increases obtained in comparable or related employments should serve as a test of absolute levels or amounts of raises in the case in controversy. Wages should bear some relationship to changes in productivity. Finally, among the standard precepts, in more recent times parties have referred to effects on the national economy—avoiding inflation or depression, for example. The parties do not always advance the same standards. Employers usually talk about ability to pay when it does not exist, and unions when it does. But generally speaking, these are the accepted criteria.

The "just price" takes into account these several factors. No precise answer, however, is yielded. How shall each of them be defined? What is the minimum standard of life? How much is the ability to pay? Even if single definitions were available, no system exists for accurate weighting of the influence of each factor. In any single case, depending on the definitions and the weighting, any range from no increase at all to a very substantial one could be said to be "just." Since wages are set for a future period, further uncertainty results.

Unions have policies. Employers have policies. Arbitrators set down awards on the basis of policies. The public is affected by these policies—they influence the price level, the volume of employment, the distribution of labor and other resources, the national income and its distribution. They appear more controllable and invite more control than the impersonal market. Will the public, through the government, also develop policies, as it did during wartime, for peacetime application? This has happened, or has been widely discussed in a number of democratic nations.

INTERESTS AND PRACTICES OF LABOR

E. WIGHT BAKKE¹

Workers and Wages

High on the list of circumstances which set boundaries to the worker's field of

activity and achievement is income. There are few subjects about which there is more talk, less understanding, and more feeling than this. Few workers in America *make* a living. Each *buys* a living with money received primarily from wages. That fact is an important clue to what they do and think and hope for. The pay envelope or the salary check gives to each an individual claim upon what all in cooperation

¹ Adapted from E. Wight Bakke, *The Unemployed Worker*, Yale University Press, New Haven, 1940, pp. 19-26, 63-66.

have produced. But wages are more than that—they set standards of prestige, they give a measure of a man's worth, they make spending habits a measure of character, and they furnish us with a whole set of practices which make our culture distinctive. In an earlier day when money was not the key to most of life, money did not drive men on to exceptional effort, nor the lack of it to drink.

In America in the twentieth century, if one were to take away the making and the spending of money, most societal arrangements would collapse. We should be confused about who was successful and why. Society bluebooks would have to be revised. The development of enterprises involving billions of dollars would no longer startle the imagination and we should have to get our vicarious thrills from thinking about those who went looking for a sacred cup. We should be forced to find another set of qualifications for some (not all) of our directors of non-profit agencies. The "upper" classes would have to find some way other than spending money to make them different from the "lower" classes. We should not be considering wages as one of the major facts in the lives of American workers.

For it is the fact that we have arranged in our society to give a man a pay envelope for doing his work and then leave him free to live or not, to save or not, to spend or not, to marry or not, to have children or not, to work or not—it is just that fact that makes the amount and the steadiness of the wage, and the arrangements we make to fill in the gap when there is no envelope, so important.

Now the fact that wages and the buying of a living with wages and the determining of a social status by wages are all part of the folkways is in itself no more a distinctive problem of labor than is the fact that it is for men to wear low-heeled

shoes. It is the fact that those wages do not buy the kind of living men would like to have . . . that is what makes the wages of men a labor problem. Mr. Dooley once put a part of the issue this way—"Wan iv the strangest things about life is that th' poor, who need the money th' most, ar-re the viry wans that niver have it." . . . They need no union organizer to tell them that. The feeling is a product of the inadequacy of the wages they receive to meet their problems of living comfortably. It is not a product of comparison of their wage with the value they give to their employer nor of a comparison with what *he* has. Ideas of the relationship of wages to work may be seen from a very typical response. "What is a fair wage? Now you've got me; but it would be enough to live on without worry and it would come regular. I guess really what I mean when I say *fair* wages is *more* wages."

What the worker considers to be a "fair" wage is probably a point somewhere between the amount necessary to support his family on their present plane of living and the amount necessary to achieve an eventual standard of living desired. Although the horizon of this standard is limited, it is not fixed. Actually we know little that is definite about either the lower or upper limits below or above which the effort is not worth the compensation. The absolute minimum is probably very little below payments equivalent to what a family could get on relief. Interviews with thousands of workers in the course of our research at the Institute of Human Relations would suggest a conservative definition of the upper limits. Certainly the immediate standard of economic security is determined for most of these workers by the standard of living customary for the most favored of his immediate associates.

Alger books to the contrary, the horizon

of working-class people extended very little beyond the standards attained by other members of their own class with whose situation they were acquainted, so far as their personal ambitions were concerned. For their children they desired an education higher than that which they had attained. For them they held out the hope that something better than factory work awaited them as a career. Many a working-class family was integrated around the effort to provide children with educational and training equipment which would make possible for them a nonworking class life. . . .

This adjustment was sanctioned in a number of ways. Frequently a worker who himself had unusual ambitions or whose wife "kept nagging at him" was pointed out as a horrible example of what happens when a man gets tastes above his pocketbook. The sacrifices that such people make to maintain "a front" are looked upon with disfavor by those who by such disapproval increase their own confidence in the soundness of the limitation of their own desires. One thing which is certain to cause the disapproval of one's workmates is the attempt to buy things which one cannot afford. One heard frequent indications that life was not exactly comfortable for those workers who "put on the dog," and the pressure of social opinion was likely to be felt by those who attempted "to go the Joneses one better." One suspects that some technique other than advertisements displaying rich ladies and gentlemen enjoying luxuries would be necessary to create a demand for such articles among workers, even if resources were available. Unless such resources were to be expanded beyond the possibilities of any presently conceivable utopia, one is inclined to think that any increased income beyond that necessary for relief from

the strain of winning a standard customary among one's associates would be saved rather than spent for those luxuries which would declass them. . . .

The best summary which characterizes the standards of many of those with whom we had contacts, however, was this: "All that I ask now is a chance to pay my bills and be able not to worry," or "What I want is enough for three square meals a day in a decent home, and not the same damn thing tomorrow." It is the judgment of those with whom one is in daily contact by which he measures the success or failure of his attainments. The unusual person who shakes himself loose from such standards is merely the exception that proves the rule.

The wish for security is amplified by a longing for the regularity of income. Workers have had to adapt themselves to great fluctuations in income and work. But no degree of acceptance destroys the difficulty, if not the absolute impossibility, of planning under such circumstances. That obstacle to comfortable living for ordinary people who try to eliminate the unexpected as much as possible from their lives is an unsolvable problem. The conditions upon which the evenness of work and income depend are out of their control.

The desire for economic security is further amplified by the wish to win a comfortable margin beyond mere maintenance requirements. I was reminded in talking with American workers of Whiting Williams' reference to Wanamaker's advertisement for woolen blankets, "It is the part of the blanket that hangs over which keeps you warm." Not much of the blanket hung over for most of those with whom in one relation or another we associated.

Economic security means then, increasing within the possibilities of working-

class income and in view of the standards set by working-class associates, the regularity of income and a comfortable margin beyond the minimum of livelihood demanded by the standard of living set by the group.

The realization of such security does not require approximation to the economic status of wealthy persons; it requires merely evidence of some progress from the point at which one started. That is an achievement which is possible in a relatively short period of life for workers, say between the ages of twenty-one and forty. At the latter age children who have been contributing begin to leave home, and unless one can hold on to the job he has had, satisfactory and remunerative employment opportunities rapidly decrease. But during these years "with fair luck" one has the sense of making at least small progress from the economic starting point.

These are the considerations which define what workers are struggling for when they use the term "security." It is obviously not a guaranteed maintenance, nor is it a guarantee of standards and safeguards which would be satisfactory to most middle-class individuals. It is the obtaining of some hope that they may secure some margin of safety above the standard which *their* associates require of the self-respecting man.

The security which men seek is to be obtained by one's own efforts. Self-support marks the individual with a socially respected status. A major assumption which lies back of activities and decisions in the attempt to be self-supporting is that a man is responsible for his own economic success or failure. This belief survives the most obvious evidence to the contrary. The experience of men recently unemployed with whom [we had contacts] contained a great variety of economic circumstances completely out of the control of the indi-

viduals concerned. Very few of them placed the responsibility for their present condition, however, on any other shoulders than their own. They were in the position of a political party or a business system which, having claimed responsibility for prosperity, finds it difficult to dismiss its responsibility for a depression. . . .

Within these boundaries of the minimum required for maintenance at a relief level, and the social standards of economic success certain recurring definitions of a fair wage were evident. As we shall see later, unions and managements have taken over some of these criteria as basic to their assumptions of what a proper wage is. We list a few of the "fair wage" standards most frequently cited.

1. As much as others are getting for the same work in the same plant.
2. As much as is paid for the same work in other plants in the same city.
3. As much as other employees of the same company are getting for the same work in other cities.
4. Enough to provide a proper differential above those who do work in the same plant which is less skilled, valuable, or responsible.
5. Enough so that the wife and children do not have to work.
6. Enough so the children can finish high school.
7. Enough to permit laying something aside for a rainy day and for old age.
8. For union men, the union rate.

It is evident that as far as workers are concerned a fair wage concept is geared more to their standing among their fellows, a comparison with their rates, and the amount needed for living than to a consistency of remuneration received with the profitability of their services to the employer.

SIDNEY and BEATRICE WEBB ¹

The Standard Rate

We have seen that it is a fundamental article of the Trade Union faith that it is impossible, in a system of competitive industry, to prevent the degradation of the Standard of Life, unless the conditions of labor are settled, not by Individual Bargaining, but by some Common Rule. But, without the uniform application of some common standard, collective settlement of these conditions, whether by bargain, arbitration, or law, is plainly impossible. Where employer is competing with employer, each will claim that, if he must forego the chances of Individual Bargaining, he should at any rate be made to pay no more for his labor than his rivals. With this contention the Trade Unionist heartily agrees, and thus we get admitted, as the basis of the Common Rule, the principle of identical pay for identical effort, or as it is usually termed, the Standard Rate. This, as we have seen, is the very opposite to equality of wages. How accurately this principle of identical pay for identical effort can be applied to the varying capacities of different workmen, or to the varying difficulties of particular tasks, whether it can be most precisely carried into effect by payment by time or payment by the piece, depends upon the character of the process and the intelligence and integrity of the parties. But is obviously futile to settle, by collective regulation of any kind, a Standard Rate of identical pay for identical effort, if an unscrupulous employer is free to evade this by demanding extra work or additional wear and tear; by deducting anything from the wage agreed

upon or by obtaining, at the cost of his workmen, by any transaction with them, other monetary advantage whatever. In short, if the fundamental object of Trade Unionism, the enforcement of a Common Rule, has any justification at all, the principle of the Standard Rate must be conceded, and if a Standard Rate is admitted, the subsidiary regulations which we have described follow as a matter of course.

JOHN T. DUNLOP ²

Wage Pronouncements of National Organizations

What trade unions say about their broad wage policies is much less important than what they do in specific contexts. Labor leaders are expert in trading, in dramatic presentation, in ad hominem argument and in the subtleties of political adjustment. They understand much better than most of us how to handle men, whether they wear overalls or the trappings of office. And they have no desire to subordinate that great skill to the less colorful art of juggling words, rules and precedents. . . .

Never must it be forgotten that a reason or argument may be adopted simply because it proves useful. Formal pronouncements may consist of apologetics that have been most effective in negotiations with companies, in influencing governmental and public agencies, and in crystallizing the support of the membership of a union. Nevertheless, a brief review of the an-

¹ Sidney and Beatrice Webb, *Industrial Democracy*, 1920 ed., by permission of the executors of the late Lord Passfield, Longmans, Green and Company, Ltd., London, 1926, pp. 318-20.

² From John T. Dunlop, *Wage Determination Under Trade Unions*, copyright 1944 by The Macmillan Company and used with their permission, pp. 50-54.

nounced wage policies of American trade unions may be revealing as to (a) the arguments leadership has found effective both internally and externally, and (b) the way in which these slogans have been adapted to changing situations.

A historical survey of wage statements reveals a single negative slogan and a succession of affirmative symbols. On the defensive, "no reduction" has always been the announced motto. A classic statement of this position is found in Samuel Gompers' last appearance before an American Federation of Labor convention:

"Since 1907 the American labor movement has had a slogan for itself and for the men and women of toil of our country and whoever may wish to profit thereby: 'It is better to resist and lose than not to resist at all.' . . . Let it be clearly understood . . . that America's workers will resist any attempt to cut wages, no matter what the result may be to industry. An industry which cannot pay a living wage, a wage according to our best standards of American civilization, had best go out of business."

No slogan is an invariant rule of action, and as will be explained later, trade unions have not only taken reductions in the wage structure, but even proposed them. However, there can be no question that the "no reduction" slogan is a central feature of all wage pronouncements.

The fashion in affirmative slogans has changed a number of times since the start of this century, and more than one was used at a single time. However, the following succession is based upon what appears to have been the sequence of greatest popularity. (1) At the turn of the century in the atmosphere of the anti-injunction campaign and a rapidly rising membership, trade unions demanded the "fair wage." "What we seek to do is to fix a reasonably fair rate of wages for all men who work in the mining industry,

so as to give them a wage that will enable them to live in a manner conformable to American standards and put something away for old age or infirmity." (2) The "living wage" received most use in the period of the early advocacy of minimum wage laws and during the 1916-1920 war period of rapidly increasing cost of living. There was probably little difference in the essential idea of the "fair" and the "living" wage. . . . Fairness was defined in terms of a living standard. (3) As is well known, the 1925 and 1926 conventions of the American Federation of Labor adopted the slogan of the "social wage." "Social inequality, industrial instability and injustice must increase unless the workers' real wages—the purchasing power of their wages—coupled with a continuing reduction in the hours making up the working day, are progressed in proportion to man's increasing power of production." This notion of wages increasing with productivity is probably the most commonly repeated statement of wage policy within the American Federation of Labor. More than one slogan, however, has been used to express the same idea. One hears of "health and efficiency wages" and even of a "cultural wage." The 1940 Executive Council's Report contends: "The cornerstone in efforts to increase national income, to sustain business, to improve health and efficiency standards of living for all families, is to increase the real wage in step with increases in productivity. . . ." Mr. Green has maintained that "our progress is reflected by the larger ideal expressed in the successive epithets applied to our objectives—the living wage gave way to a saving wage and that to a cultural wage." These slogans, summarized under the heading of the "social wage," all lay considerable stress on the importance of matching the pace of productivity. They arose, in large measure, as a protest

against the cost-of-living emphasis generated by the 1916-1920 war period and as a claim upon the rapid technical changes of the twenties. (4) The Congress of Industrial Organizations has laid particular emphasis upon the objective of securing a larger share of the national income for wage earners. Statements to this effect can be found in earlier trade-union pronouncements. In testifying before the Commission on Industrial Relations in 1914, Gompers said, "The AFL encourages and stimulates the workmen in their efforts to secure a constantly increasing share in the products of labor, and increasing share in the consumption and use of things produced, thereby giving employment to the unemployed, the only effective way by which that can be done." But the CIO has made this slogan more central to its program than Mr. Gompers ever did. "The CIO has been winning wage increases for millions of American workers. It is moving ahead to win more . . . to secure for workers a larger share of the wealth they produce."

This brief survey of wage pronouncements has shown (a) that trade-union leadership itself (Gompers and Green) regards "the living wage" or "the social wage" as slogans and epithets. As such they are useful in arousing and marshaling the support of the membership, in presenting a rationale to the rest of the community, and in fulfilling all the social functions effectuated by a creed or ritual. Too frequently these broad phrases are attacked as meaningless without sufficient appreciation of the role they play in the trade-union folklore. An even more grievous error is to suppose that these slogans exhaust the content of trade-union wage policy. Wage policy as practiced by trade unions must be examined in the context of actual situations; specific collective-bargaining agreements and wage conferences constitute the basic sources. (b) The

preceding summary has also shown that wage slogans may be modified from time to time in the light of altered industrial conditions and standards of public judgment. Increasingly intricate and detailed statistical work is being done to justify specific wage demands in terms of these slogans. The argumentation has become more rationalistic although the essential character of the symbol remains.

JOHN T. DUNLOP¹

Wage Policies of Trade Unions

The use of the term policy has become a fad in recent years, particularly as applied to industrial price formation. Such popularity is apt to breed ambiguity. The phrase is here used simply to imply that (a) trade unions have some discretion and alternatives in the bargaining process through which terms of the labor bargain are determined, (b) some types of wage strategy and pattern will be found superior to others by a trade union, given its objectives and specific problems, and (c) the mechanism whereby a trade union experiments with tactics and chooses among them need not connote an entirely self-conscious process.

An investigation of trade union wage policy may be thought to be an elucidation of the obvious since the only objectives are more favorable wage structures. As Professor Bakke records the opinion of a worker, "I guess really what I mean when I say fair wages is more wages." At times, "more wages" has been construed

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as only higher wage rates. All wage policy by this view is epitomized by the slogan, "push 'em up." A little study will show not only that this view is an unwarranted simplification but that a great deal is to be learned from a study of the manipulation of wage structures for specific objectives. Just as the statement that an enterprise attempts to maximize profits does not preclude fruitful investigation of price policy, so any objective of a trade union does not automatically determine the wage structure. The interesting issues arise in examining the formulation of broad wage policies and the selection of detailed wage tactics.

The terms of sale for labor services are typically complex, either designating or implying a great many conditions. Some of these terms directly influence the price, that is the wage, defined as the amount of money exchanged between the buyer and seller per unit of services. This group of terms—designated as the wage structure—ordinarily contains a base rate modified by overtime, bonus arrangements, vacations with pay, minimum guarantees, shift differentials, and other extras. The remaining terms of an agreement of sale—labeled the nonpecuniary structure—specify conditions of work, grievance procedure, seniority, union recognition, working hours, strike limitation, and the duration of the agreement. This latter group of stipulations is not to be regarded as less essential to the total agreement than the wage structure. The contract is made in view of all the conditions of the exchange. At times, bargaining over the total agreement will include some substitution between these two groups of terms. In fact, every provision of the labor contract can be regarded as constituting the price of labor in some fashion. The important implication, for the current dis-

cussion, is that discussions of wage policy must always be placed in the context of the total labor bargain with all the terms of sale.

NON-INCOME OBJECTIVES OF WAGE POLICY

Aside from the obvious goal of affecting the income of a specified group of wage earners, wage policy may be directed toward a great many other objectives. Both the multidimensional feature of the wage structure and the directness of impact of changes in this structure on costs and incomes render wage changes a highly effective tool. Unless essentially non-income objectives are isolated, the wage policy of many unions will appear incomprehensible and incompetent when appraised from the criterion of maximizing the wage bill. The specific goal of a policy may have been something entirely different.

1. *Many changes in wage structure have been intended to promote membership in a trade union.* An organizing drive will be more apt to succeed if prospective members can be convinced that they will immediately benefit from affiliation. And there can be no more convincing demonstration of this benefit than a wage increase. Consequently, whether the organizing drive precedes a Labor Board election or is part of a strike, promises of an "increase" will be made. If the union is then to hold its recruits, the "goods must be delivered." In this context, the long-run effects on employment or the future of any specific enterprise are small matters; the principal objective is organization! The trade union is not alone in recognizing the efficacy of changes in wage structure as a means for other objectives. Many enterprises have attempted to prevent or forestall organization by granting an increase. The wage spurt of 1936-37 seems largely a matter of bargaining over

organization. Typically, these increases were not successful in their primary objective and a further increase was necessary to the union that had won an election or gone out on strike. In most cases a single wage increase would have been sufficient had not the attempt been made to buy off organization.

2. One of the most complex problems that faces every union is the way in which the *available work shall be allocated among prospective wage earners*. Wage policy may be used to effectuate this division. The payment of overtime after a standard day is an effective device to encourage the enterprise to hire additional workers rather than incur penalty rates. This feature of overtime rates is most clearly seen in periods of large unemployment when strong pressure is exerted to reduce, if not eliminate, overtime. In seasonal industries, restrictions on overtime rates may be relaxed only at the peak of activity.

3. An exceedingly rapid change in wage structure has been made in the last five years with the extension of vacations with pay. Over 25 per cent of all organized wage earners now receive annual vacations with pay under collective bargaining agreements. This spectacular development indicates a wage policy that is directed toward specific elements of the labor bargain: The relative preference for vacations with pay is high as compared to other terms in the wage structure. . . . *Wage policy has been used to achieve in the vacation with pay a social status that had been reserved to other groups. . . .*

4. *Wage policy has also been used as an effective means of controlling the rate of introduction of technical innovations.* The relative wage rates and costs on the new and the old machine or process will significantly influence the rate at which an enterprise will find it profitable to adopt

a change. For instance, the flint glass workers apparently attempted to "discourage the use of lamp chimney machines by demanding rates that would equalize the cost of chimneys produced by machinery and by hand." In 1908 the Glass Bottle Blowers took a reduction of 20 per cent on beer bottles to "protect the manufacturer who was unable to secure one of those machines . . . and to protect ourselves." The international officials of the Glass Bottle Blowers apparently were convinced in 1927 that a basic wage of \$6.50 a day in the blown ware departments would lead to a rapid introduction of machinery. For this reason they urged that the proposed increase favored by many locals be voted down.

5. *A further non-income objective of wage policy is frequently the attainment of desired working conditions.* A wage premium put upon especially unfavorable hours of work or circumstances of employment is intended to remove these conditions. There may be great difficulty in distinguishing between policies directed at preventing undesirable work situations and policies using such conditions simply as a means of increasing income. The more certain that an enterprise cannot avoid the unfavorable situation, the more likely the policy is directed primarily toward higher income. . . .

6. *Wage policy may be used to implement the control of entrance to a trade by means of the differential rates paid to apprentices and to learners.* Special rates to handicapped and aged workers are also intended to affect entry into and exit from the trade. The way in which rates are graduated during the period of apprenticeship will undoubtedly influence the length of time many apprentices will stay with their training, and, if other regulations are not operative, the number of

apprentices, learners, and helpers the enterprise may choose to employ.

The preceding points have indicated ways in which wage policy may be used to attain essentially non-income objectives. The desired consequences are not primarily related to the total volume of employment or the level of pay rolls. The wage rate structure is used in these instances—frequently in conjunction with more direct action—simply because it may be an effective tool to achieve specific objectives. Any appraisal of wage structures that neglects these types of goals will undoubtedly conclude that the wage policy of a union has been inept; the broadest types of objectives must be recognized if wage policy is to be understood. . . .

ELEMENTS OF WAGE POLICY

Wage policy as practiced by trade unions must be examined in the context of specific situations; individual collective bargaining agreements and wage conferences constitute the basic sources.

A number of common questions and issues respecting the wage structure can be discerned which face almost every trade union. The specific course of action adopted to deal with these fundamental difficulties varies from one policy-making unit to another. These problematic issues will be designated elements of wage policy; they are suggested as analytically relevant pegs on which to hang studies of wage structure bargaining. At least the following elements can be identified.

1. *Every union is faced with the fundamental task of providing a mechanism whereby decisions respecting wage structures are formulated.* The policy-determining units must be identified. Shall it be entirely a local affair? To what extent will international veto power be reserved? The resolution of this difficulty will be influenced predominantly by (a) the relative jurisdiction of the bargaining enterprise

and (b) the character of competition among firms in the jurisdiction of different locals. Industries like newspapers, book and job printing, construction, building services, theaters, and hotels are apt to see a good deal of local autonomy for these reasons. A number of internationals were formed primarily because of the common dangers of interlocal wage competition.

2. *Every union is interested in the differential wage structures among individuals, operations, and occupations—the membership because of social and financial status and the leadership because of additional concern with the prestige of the organization and continued return to office.* Each union then will be faced with questions of differential wages. But the importance of the issue will be largely influenced by the structure of the organization. The more narrow a craft union, the fewer the number of differential rates over which to squabble. The issue may thus be expected to be most critical in industrial organizations. Several conflicting pressures may be briefly noted. The firm may press in negotiations for a considerable differential between production workers and more highly skilled individuals on the grounds of insuring a labor supply and in order to provide suitable promotion for service well done. The higher paid workers may feel entitled to a customary dollar differential; the production workers frequently constitute a large majority of the union; the union leadership is confronted with the problem of securing a working compromise among these differences. The course of action adopted by a trade union in such a situation constitutes an element of wage policy.

3. *Every union faces issues of the method of wage payment.* Shall work be compensated for by the piece, by time, or by some combination of the two? The choice among these alternatives has been

fully treated by Slichter in his *Union Policies and Industrial Management* (chapters X and XI). Modifying his treatment slightly, two necessary conditions may be identified for the adoption of piece rates by a trade union: (a) that units of output be definable with precision and (b) that conditions of work be not altered in a manner unfavorable to the wage earners over time. Trade unions may be attracted to piece rates for the reasons that small technical changes or increases in effort are automatically reflected in higher earnings; competing firms have equal direct labor costs, older workers need have no special rates, and because an individual worker is frequently permitted his own pace, particularly when this does not interfere with the output of others. The use of piece work also involves a number of possible difficulties: differentiated earnings may be conducive to internal conflicts within the union; conflicts with management will arise over standards of inspection as well as over the condition of equipment, organization of plant, and quality of material; and disputes may arise over the number of workers to be attached to the enterprise.

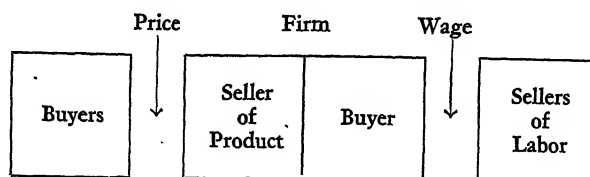
4. *All international unions and many locals are faced with issues arising from the fact that companies in competition with each other differ in their costs and technical efficiency on the one hand and in their market position and control over price on the other.* Are equal rates to be charged to low and high profit firms alike? Shall rates be staggered according to ability to pay? Each alternative is beset with its own difficulties. Equal rates may mean a very low level since high cost enterprises may not be able to pay a higher time rate. This is certain to lead to internal pressure from the membership when some companies are shown to be making high profits. If equal piece rates are established, no firm has a great deal of inducement to make those technical changes that

will reduce the wage costs per unit of output. And even more important, the earnings of wage earners in technically inefficient plants will be much below those in the more competent enterprises. Such a condition will certainly lead to internal dissension, resulting in demands for wage increases where they can be least afforded, and raising the serious question of assigning workers to the favored positions. Should rates be staggered among companies dealing with the union? The first issue will be whether highly efficient firms should receive lower piece rates because of the higher hourly and weekly earnings that are possible or be charged high rates in view of their greater capacity to pay. If time rates are typically chosen, the practical question will be whether the lower cost firms should be asked to pay the same or higher rates. Any system of staggering is certain to raise bothersome questions of administration regarding the merits of individual cases. The range of difficulties that has been presented constitutes an important element in wage policy. The issues will be more important the greater the cost differentials among the competing enterprises, the larger the share of total costs that are wages and salaries, and the more intense the product market competition.

5. *A central element of wage policy is involved in formulating some judgment of the effects of alternative wage structures on employment.* Trade union leadership, in effect, must make estimates of the elasticity of demand for labor over very short periods, the cycle, and the longer run. Any appraisal must arise from insight on the specific ways in which wage changes have impact on employment. For instance, the independent effects must be appraised of machine substitution, the shift of business through lower product prices to nonunion firms, the birth of nonunion enterprises, the emergence of

kickbacks and other arrangements altering the basic rate, the development or expansion of substitute commodities and services, and impact on the rate of business mortality. No overall-elasticity of demand is given; the magnitude and speed

the habits of mind it has cultivated. The proposal is to widen the analytical vision from a single market to several related product and factor markets. Schematically, the point may be presented in the following figure.



of these separate effects have to be appraised for alternative wage structures if any intelligent judgment is to be made of the time pattern of the impact of wage changes upon employment. Estimates of the elasticity of demand in these various time periods will vary, not alone with the industrial scope of wage bargaining unit, but also with the character of competition in product markets. . . .

In the cyclical context, the basic wage rate is probably regarded as a longer-run price, usually set with an eye to noncyclical circumstances. Basic wage increases in the prosperity phase do not exploit every last degree of bargaining power of the union for short-run advantage. Similarly wage decreases in depression do not represent the total short-run bargaining advantage of enterprises. . . .

WAGE POLICY AND MARKET STRUCTURES

That wages are dependent upon prices received by enterprises in product markets has been no less evident to trade unions than to economists. But the relations between product and factor markets have been obscured by the particular equilibrium technique. Prices and wages are determined by supply and demand in different chapters in the textbooks. . . . The criticism is not so much with the logic of particular equilibrium as with

Classically, a trade union is thought of as affecting the wage by restricting the supply of sellers in the factor market. And yet the above figure shows so clearly that a union may equally well affect the wage by influencing the price of the product. A surprising amount of trade union activity has been directed toward this end. Attempts to influence the wage through the product market may be classified analytically into: (1) policies designed to shift product demand functions, (2) policies affecting supply conditions in product markets, a form of affecting factor supply conditions, and (3) policies affecting competitive conditions in product markets.

1. The International Ladies' Garment Workers' Union sponsored an extensive promotional program for the New York dress industry in negotiations for a renewal of an agreement in early 1941. The proposal was supported by a survey of the industry which examined sales, per capital expenditures, and relative advertising expenditures of competing industries as well as sample costs, earnings, and profits. After ten weeks of conferences, the union's plan was adopted. The promotional campaign was intended to increase demand for the whole industry, not merely in the New York market. . . .

Many unions have urged higher tariffs to protect the markets of their employers.

The Glass Bottle Blowers supported a higher tariff on French perfume bottles, going so far as to send a representative to France to compare costs of manufacturing. The photoengravers made "substantial regular monthly contributions to provide greater distribution of *More Business* being published by the American Photo-Engravers Association for the purpose of further interesting the buyer of engravings of the full possibilities of the process." Mention might also be made of the political opposition of the United Mine Workers to the St. Lawrence project; the protest is in part against a possible decrease in the demand for coal.

2. Trade unions may attempt to influence the wage bill or wage rate by acting upon the market supply of the product. The history of both Great Britain and the United States reveals instances where unions have quit work to reduce the stock of coal on hand with employers. Two very early instances may be mentioned. The first miners' union in America, the Bates Union among anthracite miners in Schuylkill County, Pennsylvania, ordered a suspension of work in July, 1849, "for the purpose of reducing the stock of coal on hand, to steady the market and stave off a reduction in wages." The English miners in the *Articles of Regulation of the Operative Collieries of Lanmark and Dumbarton* of 1825 provided that "there should never be allowed to be any stock of coals in the hands of any of the masters." The miners have used the same methods on numerous occasions. More recently more sophisticated methods for the same purpose have been adopted in the Bituminous Coal Commission. The relative infrequency of the resort to shut downs to influence product prices and wage rates is probably explained by the specialized conditions that make this technique possible: (a) A highly competitive sector of

the system is required, otherwise employers themselves are apt to have curtailed output with reductions in demand. (b) Production for an organized market is essential in which spot prices reflect discounted expectations from day to day. Prices set over longer periods by contract or formal business decision would render the stoppage less useful to affect price. (c) The commodity must be relatively standardized rather than made to order if stocks are to be accumulated.

A number of unions have been concerned with supply conditions in the product market arising from the freedom of entry. The photoengravers, the teamsters, the clothing unions, and the hosiery union have tended to discourage members from setting up small businesses themselves. These small concerns, usually started on a shoe string, are alleged to undermine the price and wage structure of the industry. Other unions, such as the barbers, electricians, motion picture operators, and stationary engineers, have secured licensing laws which are intended primarily to affect the supply of labor in the factor market. The wage structure may either be affected by direct limitation of supply or by more circuitous impacts on entry.

3. There are a great many ways in which trade unions may influence the wage rate by influencing competitive conditions in the product market. The union label is one of the oldest and most respected techniques through which the elasticity of demand may be affected. The effectiveness of this device in such industries as tobacco, cigars, printing, and garment must not be too easily dismissed. The resort to employer brands and labels has sometimes been encouraged by trade unions. The hosiery union has been active in urging branded names. To quote: ". . . the control of the secondary hosiery

market by the manufacturer does allow him to obtain relatively better prices for his goods and a better margin over costs. . . ."

Trade unions have affected wage rates through competitive conditions in the product market by various forms of fairly direct intervention. The photoengravers encouraged the use of cost accounting among employers; one of its agreements provided that the employer "shall not sell engravings or any production upon which members of the union shall have worked . . . at a price which shall be less than the actual cost of production. . . ." The same union was involved in a suit before the Federal Trade Commission over "clause 10" which restricted employment to firms that were members of the Photo-Engravers' Board of Trade.

Much attention has been directed recently to the building trades field where unions have used various devices to affect product prices and hence wage rates. Conformity to price scales may be secured by boycott enforced by manufacturers and dealers, by threats of violence and dissemination of misleading statements, or by the strike power of the union. Slow downs or the assignment of incompetent workmen to "nonco-operating" contractors may be equally effective. The interest here is not in the legal aspects of these methods so much as in the fact that they arise in certain market structures. A relatively large number of contractors with low costs of entry confronted by a union of skilled workers would tend to make for marked price competition. The bid method of pricing may result in shading of estimates since the stakes are usually the whole contract or nothing at all. The union is apprehensive lest contractors attempt to make up their low estimates by speed-ups, kick-backs, or overt rate reductions.

SUMNER H. SLICHTER¹

Wage Policies of Trade Unions

May unions be said to have wage policies? Some people doubt it. Nevertheless, a union must decide whether to ask one price rather than another. It presumably has some reason for not being content with less and for not insisting upon more. This decision between alternatives is a policy decision.

How do unions make wage policies? There has been little exploration of this subject. Obviously, the million members of the Automobile Workers' Union, or the half million members of the United Mine Workers cannot set a wage policy any more than the thousands of stockholders of General Motors can put a price on the Chevrolet. Precise formulation of the union's wage policy must be the work of officers or of a committee. This does not mean that the rank and file are without influence. In many cases endorsement of demands or ratification of settlement by the rank and file is required. In general the influence of the rank and file is greater when each local is free to make its own wage policy than when the union has a national wage policy. The rank and file which have influence are usually a small fraction of the total—the 10 per cent or so who take an active interest in the affairs of the organization. In this respect unions are no different from most other organizations—the active and keenly interested part of the membership is a small part of the whole. When a union formulates a

¹ Sumner H. Slichter, "Wage Policies," reprinted from the *Proceedings*, Vol. XXII, No. 1, May, 1946, "Labor Policy and Labor Relations," published by the Academy of Political Science, Columbia University, New York.

national wage policy, locals may be invited to send in suggestions. The locals seek to stimulate the national officers to make stiff demands. Consequently, they usually suggest far more than the officers would consider asking.

The leaders who make union wage policies seek to win the approval of the members, but this does not necessarily mean that the leaders should be described as *representing* specific ideas held by the rank and file. That would imply that most of the members have given careful consideration to various alternatives and have developed a well-devised scale of preferences. As I have indicated above, however, the great majority of union members lack well-considered ideas concerning just what things they wish and in what quantities. Within a wide range of alternatives they are usually willing to accept the objectives recommended to them by their leaders, particularly if the leaders are strong and colorful and have won a reputation in times past as valiant fighters for the rank and file. If the leaders undertake to represent any group of union members in selecting wage policies (or other policies), it is not likely to be some sort of "average" members but a small aggressive minority which has quite definite and firmly held preferences.

The wide range of objectives which the union rank and file are usually ready to approve emphasizes the importance of the personal equation in the choice of policies. One would not expect the policies of the United Mine Workers in a given situation to be the same under a John Mitchell as under a John L. Lewis—although the policies of each leader would probably command heavy support from most of the members. The temperament of the leader, his aggressiveness, his willingness to take chances or his disposition to be cautious,

the relative importance which he attaches to the short-run or long-run consequences of policies, his sense of responsibility to the public, his ambition to advance within the labor movement, all influence the selection of policies. Quite naturally the leader who is eager to advance toward a place of greater power and prominence in the labor movement is likely to select policies with that end in view. These will not necessarily be the policies which will maximize the present value of the future incomes of union members. Rivalries between unions and union leaders may produce competition in toughness between two unions. An ambitious and publicity-loving leader may fight hard to get a larger increase than some other leader regardless of differences between the two industries and regardless of the long-run consequences to the rank and file.

Despite the influence of the ambitions and rivalries of leaders upon union policies, the usual situation does not appear to have been that the leaders have been too aggressive for the rank and file. On the contrary, when leaders have been displaced or when segments of unions have broken away from the parent organization, the revolt has almost invariably been against officers who were too conservative and slow-moving. . . .

What determines the characteristics of union wage policies? Do industrial unions tend to have different wage policies from craft unions? Do new unions tend to have different wage policies from long-established unions? What determines the relative importance of short-run and long-run considerations in the formation of union policies? I do not have time to discuss these questions, but I wish to comment briefly upon some of the determinants of the magnitude of wage demands made by unions.

The higher the wage demanded, the greater is the likelihood that the union will have to strike in order to get it. The higher the wage demanded, the greater also is the likelihood that the employment of union members will be unfavorably affected. Finally, the higher the proposed scale above the compensation for work of similar skill and responsibility, the greater is the likelihood that nonunion employers may be able to defeat organizing drives by paying their people above the market though below the union scale. How are union wage demands influenced (1) by the willingness of employers to fight, (2) by the effect of a given wage increase upon the future employment opportunities of the union members, (3) by the effect of a wage increase upon the future bargaining power of the union?

I believe that the first and third of these limits are important influences upon policy, but that the second is usually unimportant. Strikes are very costly to the union members—far more so than to employers. Hence unions cannot afford long or frequent strikes in order to reduce the employer's willingness to resist. Suppose, for example, that the union and the employer are 5 per cent apart in their demands and offers. Twenty days' work will be required to make up the loss to the union members from one day of strike. This assumes that the union wins its entire demand. A year and three-quarters of steady work would be required to make up for the loss of pay from a strike of one month (22 working days) if the employer's offer were only 5 per cent below the union's demand. An occasional strike, of course, may be necessary in order to stimulate employers to make good offers. Since overhead and profits in most companies are much less than non-supervisory payrolls, the drop in profits due to strikes will

ordinarily be only one-fifth to one-tenth the loss in payrolls.

The effect of a wage increase upon the employment opportunities of union members is surprisingly unimportant. Let us suppose, for example, that the miners' union wins wage demands which put the industry at a serious competitive disadvantage and which may be expected to reduce employment in the industry by one fifth within five years. That might be a hardship upon the sons of some miners who would be deprived of the opportunity to enter the industry. In view of the usual resignation rate in the industry, however, such a shrinkage in the work force could occur without forcing the layoff of many men. So long as the resignation rate in most industries is high enough to reduce the force by half in five years, unions cannot afford to be much interested in the *mere* effect of their wage policies upon employment.

Quite different is the case, however, when the rise of wages reduces the capacity of the unions to organize nonunion plants so that the union proportion of the industry shrinks. In that event, success of the union in forcing a rise in wages today would reduce its bargaining power tomorrow. In other words, the union would be dissipating its bargaining power—using it wastefully instead of conserving it. Even the older members, who expect soon to retire and who might not be interested, therefore, in conserving the bargaining power of the union, are not likely to support policies which give them immediate gains by undermining the strength of the union.

When wage increases are in the air and are receiving much publicity (as at present, for example), the usual considerations may have little influence upon the decisions of union officers. They may consider it necessary to insist upon the prevailing

increase regardless of the effect upon the future bargaining prospects of the union, the future employment outlook for the members, or even the willingness of the employers to fight. The prestige of unions and leaders is at stake. When it is, the long-run interests of the members of the union may carry little weight.

JOSEPH SHISTER ¹

Theory of Union Wage Rigidity

Joseph Shister (1917-) is research associate at the Labor and Management Center, Yale University, and formerly assistant professor of economics at Syracuse University.

It is not necessarily true, as some writers have assumed, that every union is interested in maximizing the income of its members as a whole. It is quite possible for a union to aim at the maximization of the income of only a given group within the union. If the employed members in a given organization constitute a majority, it can well happen that the employed will pursue a wage policy which increases their income at the expense of the unemployed in the union. This might be termed "intra-union exploitation." . . . When a union is faced with an elastic demand for the labor of its members, a policy of wage rigidity will not maximize the income of the group, yet we find numerous instances where unions, in such a situation, have pursued rigid wage policies.

¹ Reprinted by permission of the publishers from Joseph Shister, "Theory of Union Wage Rigidity," *Quarterly Journal of Economics*, August, 1943.

CLARK KERR ²

The Model of the Trade Union

The description and analysis of industrial relations has traditionally fallen within the jurisdiction of the economists. More recently, sociologists, psychologists, and even anthropologists have entered the field and made important contributions. It has become almost fashionable to say it belongs to everybody except economists. Economics does not afford a complete explanation of industrial relations, nor does it so pretend. A more serious charge is that economic analysis has not been adequate within its own special area.

Traditional economic analysis has not been adequate in the area it has sought to explain for at least three reasons: (1) It has paid too little attention to its assumptions; and assumptions can be as important as internal logic. (2) There has been too ready dismissal of the "imperfections" and it is often the imperfections that constitute the general case rather than the exceptions. (3) The model of the trade union has been inadequate. The first two limitations have been generally discussed and increasingly recognized. The third is a more recent realization.

The model of the trade union used by the more traditional economists has assumed the following, among other things:

(1) An identity of interest exists between the union and its members. The union is assumed to have the representation of its members as its sole function.

(2) The union endeavors to maximize the wealth of its members, variously de-

² Reprinted by permission from *Training and Research in Industrial Relations*, III, Minneapolis Industrial Relations Center and University of Minnesota Press, 1948.

fined. As a corollary, power is important as it leads to wealth.

(3) The union "sells" labor. It acts like other sellers and it is (or it should be) concerned with both volume and price. Thus it is said that unions either do act or should act like other economic institutions.

This model leaves a great many actions of trade unions unexplained, except by reference to irrationality and uneconomic behavior. A few examples will suffice.

(1) Why do unions strike when "strikes don't pay?" Or why do employers accept strikes when they also don't "pay" them? Traditional strike theories indicate that strikes should be rare. Strikes cost money to both sides and it pays each side to settle to avoid this cost. Yet strikes are not so rare as these theories would suggest. Are "irrationality," "lack of adequate knowledge" and "burnishing the weapon" sufficient explanations? Why, for example, are strikes continued, or why do they occur at all, when the parties are separated by only one cent per hour?

(2) Why do unions seem largely to ignore the employment effects of their actions? Presumably they should be interested in both price and volume. In fact, however, they are usually only concerned with price. This would seem to be uneconomic. It may cause unemployment and the loss of wealth to the total membership. Yet the admonitions of economists to be concerned with volume seem to fall on deaf ears.

(3) Why do unions seem to prefer falling real wages (as in a period of inflation) to rising real wages (as in a period of depression)? It may somewhat exaggerate the actual situation to suggest that unions look upon periods of falling real wages as "good times" and rising real wages as "bad times." This concentration on the money, instead of the real wage would seem to be uneconomic. Why, also, are unions more interested in changes in the

level of wages, than in the level itself? And why are they more interested in the relative, than the absolute amount of wages, if maximization of wealth is their aim?

(4) Why is the "pattern" of wage adjustments so significant? It cannot conceivably be based on labor market and product market considerations industry by industry, or company by company. Yet in recent years it has been the strongest single force in wage determination. Attention to the "pattern" again would appear to be uneconomic.

(5) Why do unions prefer industry-wide bargaining? Industry-wide bargaining often costs them the loss of strength which comes from self-denial of the "whip-saw" technique. The strength of the employers to resist is increased and the ability of the union to prosecute a strike is decreased. The whole industry is shut down by a strike. No individual employer need fear loss of business to his competitors. All members of the union are without work, rather than only some. Public opinion is directed against the union. Yet unions almost universally seem to prefer industry-wide bargaining.

The traditional model is inadequate to explain many of the more important actions of unions. A more adequate model emerges if the traditional assumptions are reversed.

(1) The union is different from its members. It has its own institutional requirements and its own survival needs.

Not only may the desires of the union be different from the desires of the members, but they may in fact be in conflict. Thus there are "union demands" as compared with "membership demands."

One clear case of divergence of interest is where the union seeks to prevent its membership from shifting to a rival union which the members think might serve them better.

(2) The union is not solely interested

in wealth, but also in its own sovereignty and integrity. When the "chips are down" it is more concerned with the power of the institution, than the wealth of its members. It will sacrifice the latter for the former both in the short run and the long run. It is particularly when the pursuit of wealth and the pursuit of power come into conflict that the traditional explanation breaks down. As long as these two pursuits are consistent with each other, the traditional model is adequate. The trade unions have no single end (wealth) and sometimes do not have the traditional goal of wealth at all. Thus the allocation of means is more difficult for the union leader than has often been assumed.

(3) The union is not engaged in selling labor. It is more like a price-fixing institution. The labor is then "sold" by the individual worker. The union is a price-fixing institution only partially concerned with the employment effects of the price, even under the restricted circumstances when it is interested at all.

A realistic model of the trade union is that of an essentially political, rather than economic institution. The union leader acts under pressures from many sources: its members, rival leaders in the union, rival unions, its own employer, other employers, the government, and perhaps even the consumers. The union leader tries to make adjustments, under pressures, to permit his survival and that of the institution. It is more fruitful to look toward politics, rather than the profit-making enterprise for analogies.

It appears that the more insecure a union is, the more political and the less economic it will be. Thus the craft union, with its greater institutional security and its homogeneous membership, may be the less political and the more economic (aside from those instances where it becomes involved in jurisdictional disputes).

Economic analysis is useful in the study

of industrial relations in seeking relationships between cause and effect, between decisions and consequences. It is, for example, essential for an analysis of the consequences of trade union wage policies on the industry, or the nation. Its model of the firm is moderately good, and thus it can help offer explanations of why a firm acts as it does in collective bargaining. Economics is useful also in describing the surrounding environment and the basic economic forces at work.

Consequently, it is not suggested that economists abandon their former jurisdiction. It is suggested, however, that a combination of politics and economics will provide a more realistic understanding of industrial relations. Collective bargaining is carried on between largely economic institutions (the enterprise) and largely political institutions (the unions). In our increasingly highly organized economy, more diverse interests need political reconciliation. In large corporations and employers' associations, there may be no single goal of wealth even on the management side.

This change in the corpus of economic analysis to make it a combination of politics and economics should enable it better to tackle the major problems of industrial relations. It should help to illuminate the pursuit of wealth and power (and their interactions) by the economic interest groups of labor and capital; and this is a basic modern problem. It should help reduce the area of presumed irrationality and the conflict between "theory and practice." It should broaden the area subject to explanation and reduce the area outside the system of analysis. It should help make something systematic out of what theory has disregarded.

Further, this change may be helpful in the determination of policy. For example, our society has been largely concerned with an economic settlement of the industrial relations problem, when it may be

in fact a political settlement which is required. Can industrial peace be bought with high wages or can it only be achieved by giving institutional security to unions and employers through a political settlement? Is industrial relations conflict not more political, than economic warfare? As a further example, what is a responsible wage bargain? It is usually said that the union leader acts responsibly if he pays attention to the employment effects of a wage bargain on the industry and the nation. Under some circumstances, this might require, at least on the level of the individual firm or industry, a policy of lower and lower money wages. Yet any leader who followed such a policy would so upset his union as to prejudice peaceful industrial relations. Turnover in leadership, wildcat strikes, and rival unionism would be some of the results of acting in an "economic" way. By acting in a political manner and by adjusting to pressures, the trade union leader maintains stability. Rather than being anti-social, this may be socially desirable. The successful reconciliation of pressures may be as great a contribution to the body politic as acting in an economic way. Responsible union leaders need to be successful politicians at least as much as good economists.

SUMNER H. SLICHTER¹

A Good Bargain for Trade Unions

To the union a good bargain might seem to be one which maximizes the income of its members as a group. As wage rates rise, the volume of employment in

a plant or industry shrinks; as wage rates decline the volume of employment expands. At some wage the income of the union members is at a maximum. This point would seem to represent the best bargain from the standpoint of the union as a whole. It is true that the wage which yields the maximum income to the union members as a whole may prevent some of them from being employed. For example, the union may have 1,000 members, but the wage which yields the maximum income to the group as a whole may permit only 800 to be employed. The union must then decide what to do about the 200 unemployed members. It may enforce a work-sharing rule so that every member shares the same amount of unemployment. Or it may tax its employed members in order to provide benefits for the unemployed ones. It may refuse to admit additional workers until it has reduced its membership to 800.

The wage policy of the union may not be governed by the desire to maximize the income of the group as a whole. The union may be controlled by a majority which is interested in increasing its income at the expense of a minority who bear the burden of unemployment. In that case the union will insist on rates which are higher than those which would yield the largest income for the group as a whole. The majority must be careful, however, not to go too far in exploiting the minority. If the wage policy of the union makes the danger of unemployment too great, the scale may be undermined by the willingness of members secretly to work below the union rates.

The wage scales which are best from the standpoint of the members of *particular unions* may not be best from the standpoint of labor as a whole because labor as a whole is interested in employment opportunities to a much greater extent than are members of particular groups. For example, the unemployment caused by a

¹ Sumner H. Slichter, "Good Bargains and Bad Bargains," *Collective Bargaining Contracts*, The Bureau of National Affairs, Washington, D. C., 1941, pp. 43-44.

specific wage scale may not fall on the members of the group which enforces the scale. Thus wages in garment plants which cause employers to use less raw material may limit employment in the textile industry. Furthermore, the interests of labor as a whole require that there be an increase in the number of jobs from year to year to provide employment opportunities for the annual increment of new job seekers. In the United States the net increase in the working force each year

is about 500,000. In order to provide jobs at prevailing wages for 500,000 new workers a year, there must be a certain increase in the capital equipment of industry. This means that the relation of wages to prices must be such as to stimulate a certain amount of investment. The wage scales which maximize the incomes of the members of particular groups may so limit investment opportunities that the annual increment of job seekers cannot find employment.

INTERESTS AND PRACTICES OF MANAGEMENT

SUMNER H. SLICHTER ¹

A Good Bargain for Employers

To the employer a good bargain is one which enables him to maximize his profits. At a wage above a given one the employer would be able to attract more men, and therefore, to produce more goods, but in order to sell the larger volume of goods, he would have to reduce his selling price. The greater volume might or might not be sufficient to yield larger profits at a smaller margin. At a lower wage the employer would not be able to attract so many men or to produce such a large output but he would in many cases be able to charge more for his product. The gains from the larger margin might or might not be sufficient to offset the loss in volume. At some wage the combination of margin and volume yields

the employer a greater profit than any higher or lower wage would yield. The closer the bargain comes to this most profitable wage, the more satisfactory it is from the standpoint of the employer.

E. G. NOURSE ²

The Employer's Twofold Quest

E. G. Nourse (1883-) is one of the President's Economic Advisors, vice-president of The Brookings Institution, and a former president of the American Economics Association.

It has been customary to think of the capitalist employer as engaged simply in the quest for profits. In fact, however, the attempt to make profits resolves itself into a quest for lower production costs on the

¹ Sumner H. Slichter, "Good Bargains and Bad Bargains," *Collective Bargaining Contracts*, The Bureau of National Affairs, Washington, D. C., 1941, p. 43.

² E. G. Nourse, *Wages as Cost and as Market*, The Brookings Institution, Washington, D. C., 1942, pp. 11-18.

one side and a quest for a more satisfactory market on the other.

In the early days of the Industrial Revolution, the capitalist employer was much inclined to use his power as owner of plant and dispenser of jobs to hold wages down or push them lower as a means of widening his profit margin. Hours of work were long and rates of pay so meager that the laborer had to send his women and children into the mines and factories to supplement his own wages. Capital being very scarce in proportion to the pressing demands of new machine techniques, owner-entrepreneurs were in a position to enforce a first claim on all the gain. Through monopoly of jobs they might even exact a share so large as actually to put the masses in a worse position as consumers than they had been before.

But the very harshness of such conditions became an important factor in their removal. Long hours, low wages, use of women's and children's labor held the productivity of the working population down to a point so low that it became apparent that the technical demands of factory efficiency itself called for a change. The more enlightened employers saw, and the more shortsighted were taught by practical experience, the unwisdom of trying to monopolize efficiency gains for the profit account. But a succession of "Factory Acts" was needed to establish a higher plane of competitive practice against the "chiseling" of stupid and unscrupulous individuals. Gradually the "economy of shorter hours" was generally accepted, along with the strictly operative value of safety precautions, sanitary and even pleasant working quarters, and social activities for employees and their families. Eventually also wages were raised, voluntarily or with some urging, by employers who saw or could be shown the "economy of high wages."

Since the latter part of the nineteenth

century the quest for profits has moved toward improvements in productive efficiency instead of exploitation of the workers. More and better machinery has been introduced. The working process has been better organized, with more compact and convenient lay-out, more accurate timing, more careful selection and handling of personnel—in a word "scientific management." All this means labor saving. As a result, the same amount of labor will produce more and better goods; or the same flow of goods can be produced with less labor. If labor continues under these conditions of enhanced efficiency to be employed as fully as before, it is possible to raise wage rates in proportion to the amount of net savings effected and not at the same time raise the unit price of the product. Or the price of the product may be lowered in proportion to the gain in efficiency without lowering the wage rate.

This brings us to the capitalist employer's second quest—that for a better market. As soon as the progressive industrialist succeeds in his first quest—for greater efficiency or lower unit costs—he must start on his second quest—for a larger market in which to sell his expanding product. In so far as his business operations are far-seeing and fully rational, the two quests will in fact be pursued jointly. Otherwise the enlarged productive capacity of the industry will be only partially utilized and high "overhead" will offset low operative cost. The enlarged labor capacity will be only partially utilized and "technological unemployment" will give rise to the dole or other forms of "relief." The industrial system cannot pursue the logic of its own development to the limit of automatic machinery, minute division of labor, and synchronized line assembly except as the infinitely varied products of this highly organized system of mass production move promptly away from the end of

the assembly line through a system of mass marketing into active consumption. Mass production for elite consumption is a contradiction in terms. The capitalist employers who assume the responsibility of introducing technological improvements must also accept the responsibility for disbursing purchasing power in such a way that the distributive phase of industrial life shall be no less well adjusted than its productive phase. . . .

But, owing to the diversity of consumer expenditures and the specialization of industrial concerns, it must be laid down as a general proposition that only as the movement to enlarge the purchasing power of the masses is participated in by employers rather generally can the individual concern count on this favorable sales response in its own particular market. . . .

It could be imagined or employers might claim that if they had been let alone these wage and price questions would have been worked out in a sound and satisfactory way. Would not capitalist owners, owner-managers, and salaried professional managers of corporate industries discover for themselves what they could afford to pay for labor, how much they would need to retain as profits on capital, what it was strategically desirable to do in the matter of prices in view of what they would discover as to the price elasticity of demand and the income elasticity of demand for their products? These adjustments, it might be claimed, would be made with such scientific understanding and such operative skill that the whole labor force would be kept at work, that just the right amount of productivity would be applied to the provision and improvement of plant, and purchasing power disbursed to the various participants in just the right amount to enable

them to take the whole end-product of consumers' goods promptly off the market.

In practice, however, there have been frequently recurring situations in which plant capacity has been expanded substantially beyond the capacity of the consumer market to absorb its output (at the prices set) out of the purchasing power disbursed—predominantly as workers' incomes. At the same time, employees have been so generally dissatisfied with the results voluntarily attained by management that they have organized to exact a share in the industrial product more in conformity with their own ideas. Such organizations have become a major factor in the functioning of our price system.

HAROLD G. MOULTON¹

The Resistance to Increasing Money Wages

Harold G. Moulton (1883-) is president of The Brookings Institution.

Under a competitive system a number of factors or considerations combine to resist wage increases. Indeed, there is strong pressure toward the reduction of money wages. For each particular business man, wages constitute one of the most important elements of cost; hence if he can reduce wage rates, he can gain a differential advantage over his competitors. Whatever the ultimate general results, there is immediate gain for the individual business enterprise which can

¹ Harold G. Moulton, *Income and Economic Progress*, The Brookings Institution, Washington, D. C., 1935, pp. 110-112.

reduce wages below the existing market rate.

Increases in wages above the market rate are resisted for similar reasons. As a general proposition, every individual business concern hesitates to advance its wages above the market level. The reason is obvious in cases where the margin of profit is slight; since competition cannot be met if prices are raised, an increase in wages threatens bankruptcy. But even in the case of companies which have profit margins sufficient to permit an expansion of wages without an increase of prices, there are deterring considerations.

To pay more than the market rate for wages appears not only needless but also unstabilizing in its effects upon business generally. Moreover, the very essence of competition is to pay what has to be paid and not more. Why should one ignore market considerations when he hires labor any more than when he buys raw materials? The only real exceptions to the practice of paying not more than the market rate are found in cases where particular business men believe that higher wages will pay as a result of the increased efficiency which will result.

Even though a particular business man may be convinced that higher real wages are essential to sustained prosperity, he hesitates to advance the wages of his workers above the market level, through fear that *his costs* will be raised without any proportionate increase in the demand for *his products*. This discrepancy is due to the fact that his particular employees at best spend only a small portion of their wages for the products which they have helped to create. It is essential that virtually all business enterprisers raise wages simultaneously if they are to receive the gains accruing from expanding purchasing power.

It was the early recognition of this principle which led the National Recovery Administration to adopt the *blanket* code idea. It will be recalled that the textile code was the first one adopted, and it quickly became apparent that if the textile manufacturers were not to be left holding the bag it was necessary that steel, cement, and all other industries be quickly brought into line in a general program of wage expansion. The blanket code required a general increase in wages, with adjustments to be made later.

In view of these factors, a competitive system cannot rely upon voluntary increases of money wages as an adequate means of increasing the purchasing power of the masses. Wage increases as a rule are granted only under pressure—exerted by a general scarcity of labor or by the power of labor organizations. And in view of the fact that money wages enter directly into costs of production, there is a strong tendency for such increases to be accompanied by advancing prices. The advancing prices serve to offset in part for the very workers concerned the benefits of the higher wages; and for other groups in society, including unorganized workers, clerical and professional classes, the farm population, etc., the cost of living is enhanced.

To be sure, higher wages in certain lines of industry may bring some indirect benefits to other laboring groups. For example, a portion of the farm population may be drawn to the cities because of high wages, thereby sharing in the wage gains and relieving pressure elsewhere. The mobility of labor is, however, seriously impeded by the restrictive policies of labor organizations which seek, by controlling the supply of labor, to retain the maximum gains for their own membership.

SUMNER H. SLICHTER

Wage Policies of Employers

Let us look briefly at the wage policies of employers. Bidding for labor among employers has been more active than most economists have assumed. The picture of a helpless wage-earner dealing with a large employer, frequently pictured by economists, is not easily reconciled with the wage and price movements of the last century. Indeed, technological progress has produced a far greater rise in wages than it has a fall in the prices of commodities. Between 1840 and 1940, hourly earnings of nonagricultural workers rose about ninefold. The index of wholesale prices rose about 10 per cent. Since this index has an upward bias, the actual movement of prices was undoubtedly downward. The rapid rise in wages relative to prices happened during a period when trade unions were weak in most industries. One might be tempted to explain the strong bargaining position of labor by the fact that over half of non-agricultural employees are working with firms having less than 100 employees and over one third with firms having less than 50 employees. This explanation, however, encounters the difficulty that large firms usually pay more than small ones.

The wage policies of employers are widely diverse. The most important distinctions are: (1) between the employers who elect to pay above the market and those who pay below it; and (2) between employers who pursue the policy of lead-

ing in wage movements and those who pursue the policy of following. Some employers pay above the market either to attract the best labor in the community or to keep out unions. Other employers may endeavor to trade on the availability of limited supplies of very cheap labor—persons who have only limited mobility (wives whose husbands work in the community), persons who do not care to go very far to work, persons who have very limited knowledge of English. The employers who do this may have as their chief stock-in-trade knowledge of some foreign language rather than managerial skill. An employer who lacks capital and credit is likely to seek an opportunity to trade on the sloping supply curve of labor. The “sweat shop” is essentially a device for this purpose. Some employers may pursue the policy of leading in wage movements; others of following closely certain leaders in either their own industry or other industries. In this way the wage decisions of a few leaders (a Harry Sinclair or a Weir) may affect wages throughout many industries.

There are various specific matters on which the wage policies of employers differ. Some employers may hire inexperienced people at considerably above the market and develop their own skilled people, paying them below the market for skilled workers. There are many variations in the geographical aspects of wage policies. Some multiple-plant employers may base wages upon community rates; others may pay the same rate in all plants. Some employers may pursue one policy with some types of labor and another policy with other types of labor—for example, pay the community common-labor rate, but a uniform skilled-labor rate.

What kind of employers pursue what kind of policies? If one uses the straight-time hourly earnings of common labor as

¹ Sumner H. Slichter, “Wage Policies,” reprinted from the *Proceedings*, Vol. XXII, No. 1, May, 1946, “Labor Policy and Labor Relations,” published by the Academy of Political Science, Columbia University, New York, pp. 3-5.

a rough index of the relative wage rates in different industries, one finds that wages tend to be high where the ratio of labor cost to selling prices is low, where horsepower per worker is high, and where profits are large. Wages tend to be low where labor costs are a high proportion of sales income and where the proportion of women employed in the industry is high. Indeed, the highest correlation of all is between low wages for males and a high proportion of women workers in the industry. In general, it seems to be true that the smaller the item of cost, the less time and attention it commands from management. Consequently, liberal wage policies are generally found where labor costs are relatively unimportant. Likewise, managements are less inclined to worry about costs when profits are high. Consequently, liberal wage policies seem to accompany high profits.

In some industries there seems to be no

difference between the level of wages among small enterprises and large enterprises. In many industries, however, large concerns pay higher wages than small ones. No industry has yet been discovered in which small concerns as a general rule pay higher wages than large ones. There are several explanations for the tendency of large concerns to pay more than small ones. One explanation is that it takes a higher rate to attract the requisite number of people to one place. This reason does not apply, however, where the employees are scattered in many small plants. Large concerns usually have more supervision and also more equipment per employee than small ones. It does not pay to give expensive supervision or expensive equipment to inefficient employees. Consequently, the greater the amount of supervision and equipment per employee, the higher the wage which management is likely to pay.

BASES FOR WAGE DETERMINATION

HERBERT FEIS¹

Principles of Wage Settlement

Herbert Feis (1893-) is professor of economics at the University of Cincinnati and Special Consultant to the United States Secretary of State.

LIVING WAGE

The living wage principle is an ethical principle. It is, in essence, a theory that

wages should be settled by reference to the needs of the workers, that they should not be allowed to fall below the sum required to satisfy what are deemed primary needs. It becomes in practice an argument for attempting to raise the wages of the lowest paid groups of wage-earners up to the level which makes possible the satisfaction of those needs. . . .

Being an ethical principle, as soon as any attempt is made to apply it in wage settlement, the question arises as to whether and how it can be brought into accord with economic facts. The conception has a decided element of indefiniteness—what may be considered a decent minimum standard of living is entirely a matter of time, place and circumstance.

¹ By permission of the author from Herbert Feis, *Principles of Wage Settlement*, the H. W. Wilson Company, New York, 1924, pp. 141-44, 185-90, 247-49, 339-42, 375-76, 390-92, 424-26.

The ethical principle to be of serviceable use must be defined; defined—(a) by our accumulated knowledge of human need, which knowledge will always be imperfect, for it can concern itself with averages only, and will always be open for dispute, for men's needs are not easy to know; (b) by our knowledge of the resources of our productive system, out of which all wages must come. In considering the subject the question arises as to whether the total of these resources and their distribution should be regarded as fixed. The living wage principles aim to produce a change in both these matters. It is admitted, however, even by those who support the principle that only a small change can be hoped for and achieved at any one time. Hence in the application of the principle much account is ordinarily taken of existing levels of income. The idea of human needs is expanded or contracted according to what may be made available for satisfaction of these needs. . . .

The controversy over the use of this principle has ranged far and wide, extending from theoretical discussions of whether it is ever possible to increase an existing wage by deliberate policy, to discussions of the technique of assessing the living wage. The chief problems raised in the course of this controversy . . . may be presented in summary form.

1. Even if practicable is it wise and sound to base the wages even of the lowest paid groups of workers upon "need"? Will that policy in the long run protect and strengthen these workers, and help industry and society—or will it breed shiftlessness and destroy the character of the workers?

2. If the "living wage" is higher than the existing wage for lowest paid groups of workers, is it possible by the enforcement of living wage policy to produce such changes in the ability of these workers, the methods of industry, and the sharing out of the product, as will make

it possible to maintain the "living wage" without doing compensatory harm in other directions? Or must wage settlements concern themselves only with the wage determined by the (so-called) "supply and demand situation"? . . .

3. Experience and reasoning both demonstrate conclusively that there are, at best, certain limits to the change that may be achieved, and to the wages that can be paid to the unskilled and most numerous groups of wage earners at any time. The conception of the "living wage"—if the policy is to be at all practicable—must therefore always be colored by and adapted to the productivity of the economic system. The standard of essential need must be therefore partly economic, and certainly not ideal.

The process of assessing the living wage must be carried out with one eye upon the worker's needs, and the other eye upon what his industry and all industry are producing, or could be made to produce. Judgment and a sense of the possibility of improving human co-operation in industry are more important in reaching a sound decision in this than plain arithmetic. Budget studies are essential to the application of the living wage principle, but cannot and should not control its use completely.

4. The problems presented by the living wage principle may be somewhat different according as the principle is put forward for all industries or for particular industries. If adopted for all industries it tends to establish the same minimum level for them all. . . . But if the principle is urged in particular industries when no general policy is being followed throughout industry, the question arises as to whether it is just and sound to establish it in these industries. . . .

5. Should the needs of the adult male wage earner be computed on the supposition that he is supporting a family, and if so, of what size? Should any attempt

be made to adjust the living wage paid to individuals to their individual family responsibilities, by differentiating between married and single men, by a system of family allowances, or by any other means? Should the living wage for the adult female worker be computed on the supposition that she is supporting herself, or on some other basis?

6. If the "living wage" policy is adopted for all industries, the fact must be faced that some of them may be in a position to pay a higher basic wage than others. If the "living wage" is computed on the basis of the assumed capacity of the bulk of industries to pay that wage, those industries which are in a struggling situation may suffer. What policy is pursued in regard to them? . . .

COST OF LIVING AND CONDITION OF BUSINESS PRINCIPLES AS APPLIED IN UPWARD WAGE ADJUSTMENTS

If demands for wage increases are examined . . . it will be found that they are usually defended by some variation of one or more of four statements of principle: (1) that prices and the cost of living have been increasing, (2) that the economic situation of the particular industry concerned, or (and) of industry in general makes the wage increase just and possible, (3) that by comparison with wages paid in outside industries and occupations the increase is just and necessary, (4) that the increase is justified by increased production. . . .

The reason why the [first] two principles . . . are so closely associated in practice, is simple. The principle that wages should be adjusted in accordance with changes in the cost of living is like the "living wage" principle itself, an ethical or semi-ethical principle. It is a claim that "real wages" should not be allowed to diminish, no matter how prices change, because the needs of the workers do not

diminish. Like the "living wage" principle it is defended as economically practicable besides; and in practically all wage controversies in which this principle appears, the economic problems it raises are taken into account. The one economic problem that is inevitably brought to the fore, is whether the condition of the industry concerned and (or) of industry in general is such as to make possible and advisable the ethical claim. In most controversies over wage increases which arise during periods of price increases, we find the two matters considered in conjunction with each other—the change in the cost of living, the condition of industry. The economic situation may show that the adjustment in accordance with the change in the cost of living can be safely and well undertaken; it may show, indeed, that even a larger increase can be well justified; on the other hand it may throw that step in doubt or prove it to be inadvisable.

It should be made clear at this point that the purely economic principle of adjustment with reference to changes in the condition of industry may be used without any reference at all to changes in the cost of living; it is as applicable when the price level is stationary as when the price level is changing—and no more so.

The two principles of adjustment . . . will not always lead to the same conclusions as to policy during periods of increase in the cost of living. Whether they do or not will largely depend upon the basic causes of the price increase, and intelligent handling of wage disputes during any such period requires a careful analysis of the causes of the price change. . . . The causes of the increase in the cost of living may not always be such as to produce an economic situation in which it is sound policy to adjust wages to the rise of prices. If the cause of the increase in the cost of living should be

clearly due, for example, to a very definite decrease in production, it may be futile to merely follow the policy of adjusting wages to the cost of living. On the other hand there is usually a presumption to the effect that it is sound and advisable to adjust wages upward during the periods of increasing cost of living *especially if the general price level of all important goods produced in industry is also increasing*. For there is usually a presumption that during periods of rising cost of living, the money incomes of industry are also increasing, and that therefore higher wages can be paid. Furthermore, the protection of existing standards of living is a matter of great concern, only to be put into second place for definitely established reasons of necessity.

The task of deciding whether the condition of industry is such as to make advisable a wage adjustment based upon the cost of living principle, or lesser or greater adjustments, is one which calls for a judgment not only of all pertinent facts on the causes of the price increase and the condition of industry—but also for a judgment upon the elasticity of industrial arrangements. For the “cost of living” principle like the “living wage” principle, as used by the workers and supported by their bargaining power, represents a dynamic resolution, a resolution that real wages be maintained though it is necessary to effect changes in production and reduce other incomes. It has the economic force of the workers’ support behind it, and in this sense is a genuine factor in the disputed situation. The soundest decision is one based on a correct judgment of what wage increases can be granted to protect the workers’ standards of living, considering all pertinent economic facts and possibilities; it strives to achieve a generous yet safe balance between social purposes and limiting conditions. . . .

Special questions arise in the applica-

tion of both principles. It is sometimes argued that although the “cost of living” principle is just, it is futile, for it is said that the wage increases granted will merely cause further price increases, and thus defeat their own object. . . .

The principle of adjustment according to the principle of “condition of industry” may at first glance appear simple but in fact presents several perplexities. The essence of the idea, it is true, is plain. The condition of business, it is presumed, indicates whether business should and can pay higher wages—and that for two reasons. First, it is presumed that if and when business conditions and the business outlook is good, profits and other incomes are likely to be high and on the increase. Therefore business should be able to pay higher wages. When the opposite conditions prevail, the contrary conclusion is reached. Second, it is presumed that the state of business is an index to the conditions of employment. When business conditions are favorable it is presumed that workers can find employment easily, and that their value to the productive system is relatively high; these conditions are taken to favor wage increase. The opposite conditions are made the basis of opposite conclusions.

Thus stated the principle appears easy to apply. But experience has revealed serious difficulties. First of all there is the question whether in any particular wage controversy, account should be taken solely of conditions in the industry concerned, or of business conditions in general. . . .

The summary opinion may be put forward, that if the principle is used both general business conditions and the state of the particular industry should be given weight, but that the latter should be given primary consideration. The study of general business conditions would serve as a necessary check and correction upon any

conclusions reached on the basis of conditions in the particular industry. . . .

Attention should be called to still another problem of policy. When considering the "condition of business" should note be taken only of present conditions, or should thought be given also to conditions in the recent past and the outlook in the immediate future? A moment's thought will make clear that even in industry the present is fleeting. There are reasons to hesitate over adjusting future wages to past events, but there may be sound reasons for doing so. The future is not easily forecast. The choice involves questions both of equity and business judgment—it is doubtful whether any general rule will apply satisfactorily to all cases. The question is one of constant practical importance and should be seriously analyzed in any attempt to formulate wage policy. . . .

**COST OF LIVING AND CONDITION OF BUSINESS
PRINCIPLES AS APPLIED IN DOWNWARD WAGE
ADJUSTMENTS**

The two principles which come most to the front in wage disputes during periods of falling prices are the same two that have been presented . . . the "cost of living" and "condition of industry" principles. It may be pointed out again that while the former of these can become applicable only during periods of price change, the latter may be used even though the price level is stationary or almost so.

During periods of falling prices, as in periods of the opposite character, each of these two principles may be used alone as the sole basis of a wage decision, or they may be used in combination with each other, or (and) in combination with some additional principles. . . . But as a matter of fact the "cost of living" principle is used as the sole or dominating principle of wage settlement during periods of price

reduction far less often than under the contrary circumstances. For while both social and economic reasons can be given in support of the use of this principle when prices are rising, the social or ethical reasons do not apply during periods of declining prices. It is rarely argued that justice or social welfare require that wages must be reduced just because the cost of living falls. The ethical presumption inclines the other way. Other reasons of an economic character are usually adduced in support of the demand for reduction—reasons which emphasize the need of industry for the reduction; some form of the "condition of industry" principle in short. So that in wage disputes arising under conditions of falling prices primary consideration is apt to be given to the economic circumstances, rather than to changes in the cost of living. If the cost of living has been falling, wage reductions urged on economic grounds usually meet with less resistance than they would otherwise. Such is the way the two principles are ordinarily used in controversies over wage reductions during periods of price decline.

If the "condition of industry" principle is invoked to support a reduction even though there has been no decline in the cost of living, it may obviously come in conflict with the cost of living contention, the essence of which is the determination that real standards once attained should not be reduced.

It is well established that the economic conditions characterizing one period of price decline may differ greatly from those characterizing another period of price decline. The industrial situation accompanying the price decline all depends upon the causes, degree, rapidity, and even geographical extent of the decline. . . . Each period of price decline, each period of depression is to some extent unique. Equally important for the prob-

lems of wage settlement is the fact that the various phases of each period are different from each other. One month prices may tumble rapidly, the next month may remain stationary, the next month fall again—with a similar irregularity of movement and change in the condition of industry. In some instances the condition of industry may be very poor though prices are hardly changing; in other instances they may actually improve though a decided price decline is occurring.

Each period of depression, each period of price decline must be made a study in itself in the settlement of wage differences. The problem of policy presented may be phrased as follows: considering the existing condition of business and the influences determining it, considering recent price movements and the price situation and the causes of these price movements, are wage reductions essential to the improvement of business, and will they really contribute to improvement rather than hurt the situation? It is plain that the sound application of the "condition of industry" principles requires a thoroughgoing study of all the economic facts and tendencies bearing upon each case.

We are only at the beginning of our knowledge of the different trains of events which bring about business depressions. There is far from complete agreement as to what policy should be pursued in regard to prices and wages during these periods. The trade unions tend to uphold the view that drastic wage reductions during periods of depression do harm rather than good. On the contrary most employers are apt to hold the view that nothing in the way of recovery is possible without decided reduction in labor costs. Each trade union is naturally influenced in its opinion by its determination to protect the interest of its members. Employers on the other hand are apt to form an opinion with their

gaze upon only the situation in their own enterprise and industry, and cannot be expected to speculate very much upon the matter of *general* policy. It is possible that the soundest policy to adopt will differ according as to whether there is any chance of developing a unified policy throughout industry. It is hard to escape the conclusion that if the condition of industry is one of depression, and if wage reductions are being put into force generally, the same policy must be followed in any particular industry, unless its condition is definitely exceptional. On the contrary if wages are being held up in most industries, by agreed policy or otherwise, a case can be made out against reduction in particular industries unless very clear necessity is shown. . . .

COMPARISON WITH WAGES IN OTHER INDUSTRIES

There is one principle of wage adjustment, not yet presented . . . which often figures in wage disputes—the principle of "comparison with wages in other industries." It is possible to give arguments of both a practical and economic character in support of the use of this principle.

The practical argument may be stated first. It is to the effect that if wages in single industries are settled without constant reference and comparison to wages in other industries, differences of wages will arise that cannot be justified on grounds of equity or necessity. These differences of wages, it is further argued, will cause industrial strife and give rise to a constant succession of wage claims.

The economic argument rests simply on the well established though highly imperfect tendency for wages for different kinds of work requiring the same human qualities and offering relatively the same advantages and disadvantages, to be equal. It is well, it is argued, to recognize and support this tendency.

The principle, besides, seems to offer a presumptive test of the fairness of a wage; men are naturally accustomed to judge, at least in part, of the fairness of a wage by comparing it to wages received for other types of work in other industries. Lastly, it has been argued that the use of this principle would prevent "sweating" on the one hand, and on the other hand, the extreme use of bargaining power by any monopolistic labor unions that might be built up.

These arguments for the use of the principle of comparison with wages in other industries deserve thoughtful consideration. Nevertheless reflection upon the factors and forces entering into the problems of wage disputes have led me to the conclusion . . . that, taking industrial practices and conceptions in the United States as they are, this principle can and should serve only as a subsidiary one in any policy of wage settlement that may be formulated.

The reasons which can be given in support of that conclusion are as follows:

1. Neither employers nor workers (nor that composite force known as public opinion) desire to support any plan for the settlement of wage disputes which provides for the unified handling of disputes in different industries by any one body. On the contrary, the country seems committed to the definite policy of letting each industry establish its own machinery, and settle its own wage disputes on any principles it chooses.
2. If and since (1) is true, it cannot be expected that there will exist any strong prevailing public sentiment to the effect that the wage claims of workers and employers in individual industries should be judged primarily by the wage situation in other industries.
3. And barring a strong and established public sentiment to that effect, it is not likely to prove very wise or very prac-

ticable for the body entrusted with the settlement of wage disputes in any single industry to try to press this principle very hard—*when its results would diverge perceptibly from the results that would be established by open industrial conflict.* Such a course may be taken with other principles which have stronger public support—such as the living wage principle.

Differences in the "condition of industry" in different occupations, differences of bargaining power of different labor groups—these and other economic differences are the chief causes of relatively unjustified differences of wages between industries. They give advantage sometimes to employers in particular industries, sometimes to workers in those industries.

4. There are also practical reasons in support of this conclusion. It is difficult to get accurate and satisfactory comparisons of wages in different industries; it is even more difficult to get agreement upon the human qualities required by different kinds of work in different industries, and the relative advantages and disadvantages of each kind. The facts under comparison are in dispute as often as not.

5. This practical difficulty is intensified in times of changing price and income levels. Wages in some industries may change; in other industries they may remain stationary. Which industries are to be taken as the basis of comparison?

6. We have not agreed upon a national wage policy, and it is not likely that we will have one. Therefore the only way in which the workers can press for the maintenance or improvement of their wage standards is by the use of their bargaining power industry by industry. That is the way they seek to share in any increase in the product of our economic system. . . . If wage demands in particular industries were constantly refused merely on the ground that the existing wage relationship between industries would be dis-

turbed, or that some unjustified difference was created, individual groups of wage earners would feel themselves bound to a static position though an increase of wages might be otherwise justified. Furthermore if the policy of comparison was made a basic one, wage reductions that were necessary and justified on other grounds might be retarded too seriously. If the principle is put in the forefront of policy, it reduces to an extent that cannot be justified by any public gain, the sense (and reality) of independence that those engaged in a particular industry—workers and employers—usually like to retain. Lastly, it would tend to discourage efforts to secure increased production, if the higher wage obtained thereby was constantly lowered down to the level in other industries.

Weighing these matters, the conclusion offered is this—that under present circumstances the principle of comparison will not work satisfactorily as a basic principle of wage settlement, but can be a useful subsidiary to such others as are used. Its best service comes as a check to their operation, or to the operation of unregulated economic forces. . . .

THE PRINCIPLE OF WAGE ADJUSTMENT WITH REFERENCE TO PRODUCTION

There has always been a widely entertained opinion especially among employers that wages should be adjusted with reference to production. This opinion has been given expression in a variety of ways and in different systems of wage payments. Sometimes it is even argued that this is the only principle necessary to settle wage questions satisfactorily.

This last argument appears particularly in the literature of scientific management, based upon a definite line of reasoning. At the risk of doing injustice to details of particular wage plans the main course of this reasoning may be summarized.

The employer, the argument runs, must know his labor cost per unit of product, and does know the maximum labor cost at which he will be able to dispose of his product at a fair profit. That fact must determine wage rates under either time- or piece-payment systems. But if workers, individual or group, will turn out more than the normal standard of production per hour, he can afford to pay wages or bonuses over the time minimum (if a time-payment system is used) and if they increase their product under a piece-rate system their earnings will automatically increase (the employer may even be able to increase the piece-rate because of saving in overhead costs). Thus it is argued that this method of settling wages by reference to what the employer can afford to pay in unit labor costs, is a satisfactory policy in itself.

This statement of wage policy makes several assumptions which may be questioned, and are not accepted by trade unions. It may be pointed out that it tends to take selling prices and other expenses of production outside of labor costs, as fixed. It also assumes that the enterprise must stay in operation. But more important than its assumption is the fact that it gives no consideration to matters that usually must be considered in wage controversies. No matter how ingenious or elaborate a system may be devised for basing wages on individual or group production other questions will demand attention, such as the cost of living, wage movements in other industries.

It comes about that no matter what theoretical claims are made for this principle, it is rarely accepted as the sole basis of a wage settlement. Somewhere in the course of wage negotiation the question of the basic rate or earnings—to be paid for an ordinary amount of effort or output—must be agreed upon. And in settling the basic rate, study must be, and is, given

to facts outside of individual or group production and the employer's calculation of unit labor cost. The principle of the "adjustment of wages with reference to individual or group production" becomes merely an adjunct to wage policy, albeit an important one.

Whether applied by means of a simple system of payment by results, or by means of some form of premium or bonus system, it may help to secure increased individual production and to give the employer more definite advance knowledge of his labor production costs. But unless the workmen concerned are completely willing to subordinate all their claims to the employer's calculations, other principles will be needed to determine the wage rates to be paid. The problem of settling what basic wage is to be paid for an ordinary day's production will still remain. . . .

SUPPLY AND DEMAND

At first inspection it may possibly appear curious that this collection does not contain a section specifically devoted to cases settled according to the (so called) principle of "supply and demand." After a search through the literature of wage disputes, one of the outstanding impressions I am left with is how seldom any effort has been made to give any precise definition to that principle and that expression, or to point out what settlement would be dictated by it in any controversy. The mist of confusion which is about the phrase in general economic literature is doubly thick in the literature of wage disputes. The phrase and principle are apt to represent any man's opinion of what the wage ought to be.

Any definition of the substance of the principle is perforce open to criticism as a misstatement for the above reason. As far as I have been able to find any precision in the principle it would seem to

indicate the following as a policy of wage settlement: that in any dispute the wages established should be just sufficient to enable the employer to go out and replace his present workers with workers of equal ability and service to him, hired individually. Thus stated the principle appears to be a plain and workable one. Why is it that we do not find it applied widely by arbitration tribunals and the like?

The first and obvious reason is that unless the employer makes the attempt, there is no way of knowing certainly just what this wage should be. Records of previous labor turnover might not fit the situation at the time of dispute. The men entering an industry paying a given wage may be men of different abilities than those quitting it. If the controversy concerns only a minor section of an industry, guidance may be secured by ascertaining the wages paid by the rest of the industry. . . . If the whole of an industry is involved comparisons may be made with wages for similar work in other industries. . . . But neither of these would produce certainty, and the process of comparison often is complicated by practical difficulties.

But that is not the chief reason why this principle has not often been expounded as a policy of "wage settlement" of and by itself. The chief reason is that the principle does not meet the expectations of the present-day industrial world in regard to the matters that should be taken into account in deciding a wage controversy. Workers, employers, the interested public are propounding other questions. Is the wage enough to live on decently compared to current standards of working class life? Must the wage be reduced in order to aid the industry out of a passing depression? etc. etc. Current opinion is inquiring into these matters and others that seem to it pertinent, and is not satisfied to know merely how much

must be paid to hire the men standing outside the factory gate, or employed in another industry. And the principles used in the settlement of wage disputes must represent the effort to find an answer to the questions most constantly asked, if they are to be satisfactory. If public interests insistently introduce ethical or semi-ethical considerations into the issues at dispute, if workers believe the methods of production may be improved, for example, some measure of attention must be given to considerations such as these. That is the chief reason why the principle of "supply and demand" stated as a policy of wage settlement is found to lack the requirements of a satisfactory policy.

There is yet another reason. There has been growing distrust of the finality of the theories of distribution presented in general economic literature; an opinion has taken root that since they were built upon assumption of an economic society of static elements and static human relations, they did not altogether lead to correct conclusions as to what changes in distribution may be achieved in an industrial society in which technique and human relationships were constantly changing, and in which there was a constant clash of wills over those changes. There has been a growing sentiment and hope, therefore, that the results of the operation of economic motives and conflicts could be modified according to social or ethical ideals.

For those reasons, it is seldom that this principle, as above defined at all events, has been explicitly and avowedly made the sole or determining consideration in the settlement of wage controversies. On the other hand there can be no doubt that the facts of "supply and demand" as they are roughly known to employers, workmen and arbitrators in every controversy, often exert a powerful influence over the settlements reached, no matter on what

principles the settlements are ostensibly based or subsequently explained.

It is sometimes argued that to use any other but the "supply and demand" principle to settle wages, is to settle them on an unsound basis because that principle alone recognizes and gives due importance to the economic forces which must and should govern wages. To the extent that the preceding definition of principle is correct, it can be said on the contrary that to use the principle is to commit this mistake. There is undoubtedly a constant need for taking account of all important economic facts and tendencies entering into a wage situation, if the policy pursued is to be sound. But the necessary study of economic facts and tendencies need not be reduced merely to an estimate of the wage which would be determined by the bargaining of individual employers and workmen. That policy is unsatisfactory because, to put the matter differently, it leads to an arbitrary selection of the economic facts and tendencies to be taken into account, and assumes implicitly that it is desirable not to try to modify the course of economic events by intrusion of purposes designed to modify them. Labor organizations are quite sound in their argument that their existence is just as much an economic fact as any other (and that their collective bargaining power must be taken into account), to take an example of the type of fact not admitted under the plain "supply and demand" principle. Or to take another example of the same sort, the social willingness to take that risk of creating a higher price level by raising wages to a computed living wage level is just as much an economic fact as the possible or predictable effect upon export trade. Or again, the effect of the wage policy pursued both upon industrial morale and consumers' demand may be considered a pertinent economic consideration in itself

—such as would receive no consideration under the plain “supply and demand” principle. . . .

ADJUSTMENT TO TECHNOLOGICAL CHANGE

A special factor is sometimes brought into the question of differentials (or sometimes into the wage question for all workers of an industry) by the introduction of new machinery to do work hitherto performed by hand or by other machinery. The usual though not universal effect of this is to change the character of the work to be performed and the human qualities needed for its performance. The question inevitably arises whether the same wage should be paid as before, or whether there should be an increase or reduction in the wage of the groups affected. . . .

Two separate questions may be distinguished when an effort is made to figure out what is a sound policy to be pursued as regards wages, following the introduction of machinery. The first is concerned with the effect upon the production of the workers, the second is concerned with the character of the work and workmen required before and after the introduction of the machinery. Let us look at the first question.

We may say that machinery of a given type is introduced primarily to “increase production” when it is reckoned that allowing the workers concerned the same hourly or weekly earnings and calculating the cost of the machinery, the unit cost of the product or process will be reduced. When machinery of a given type has that result, is there any reason why the wages of the workers in question should be increased or decreased, *considering the question of production alone?*

The answer may be different according as to whether the wages paid are being calculated on a time-payment system, or a system of payment by results. If on a time basis it is difficult to discover any reason for reduction. A case for increase may be

made out on the argument that the benefit of the new invention should go to the workers using it, rather than to the employer or to the consuming public in the form of price reduction. Such a claim deserves more weight when the wages of the workers are low compared to the wages of other grades of workers, than otherwise; it also deserves more weight when the employment of part of the group is threatened than otherwise. If any increase is granted, there may be a tendency for the available supply of labor to grow because of movement from other industries, which will make the increase hard to maintain. These conclusions apply equally in the case of a system of payment by results—with one important qualification. The introduction of the machinery may add so greatly to the output of the workers as to produce a very large increase of earnings under the existing scale of piece-prices. Under such circumstances it would seem that some reduction in piece-price may be both just and practicable.

But the matter may be decidedly complicated by the second consideration already presented, the introduction of the machinery may mean a distinct change in the work to be done, and the abilities required for its performance. Or expressed in another way, the facts on which existing wages and differentials had been based may be changed. Many forms of machinery have been introduced into industry just because the machinery enables the employer to use a less skilled and able class of workpeople than had hitherto been required. What can be said regarding wage policy when such is the result? Several courses are open: (1) The same class of workers may be retained to do the work in question with the new machinery at existing wage rates. (2) The same class of workers may be retained with some reduction in wage rates, if they will accept the reduction. (3) The workers employed may be speedily or gradually replaced by

less skilled and able workers at lower rates, commensurable to the work performed.

Which of these three policies is the most just and advisable is largely a matter of particular circumstance. The first is more reasonable when the change in the work is relatively small than otherwise. The third if carried out abruptly and ruthlessly is indefensible. It produces a greater loss of human welfare than can possibly be made up by reducing the price of the product. The second and third can be justified more easily during a period of full employment than otherwise; for then the workers concerned stand a better chance of finding employment for their skill. The matter is one calling for humane judgment in each case. The scales should be weighted in favor of the workers whose jobs are at stake.

As often and as long as the matter is left to the undirected play of economic forces, it will be settled unsatisfactorily. Those who are strong will be protected, those who are weak will suffer, and the public interest will receive only secondary consideration.

JOHN T. DUNLOP¹

The Economics of Wage-Dispute Settlement

The debate over wage rates in the public press and in proceedings between management and labor organizations has

¹ From John T. Dunlop, "The Economics of Wage Dispute Settlement," *Law and Contemporary Problems*, Spring, 1947, by permission of *Law and Contemporary Problems*, published by the Duke University School of Law, Durham, N. C. Copyright 1947, by the Duke University Press.

popularized economic analysis. There has come into use a limited number of clichés or standard arguments which are employed by the side that regards them as most effective at the time in winning the case. Illustrative of these phrases are "comparable wages," "productivity," "cost of living," and "ability to pay." These slogans are not the distinctive trademark of any one side. Either party may use one of these arguments today and repudiate it tomorrow as a factor in wage determination under a different set of circumstances. Current wage argument is a "dreadful pudder o'er our heads." . . .

The analysis of the slogans and principles of wage determination . . . indicates that there are fundamental limitations to the application of these principles to particular situations. These limitations must be faced with candor.

First, the range of possible wage rates which would follow from the various possible applications of each of the principles would generally be wider than normal variance between the parties in collective bargaining. The alternative meanings and measurements of each one of these standards are so diverse that the principle frequently can provide little help as an authoritative determination of wages. The same point may be made in alternative language: the differences between the parties are simply translated into alternative meanings and measurements of a particular wage slogan or standard. The range of disputed application of any of these principles is likely to be much wider than the normal range of disagreement between the parties.

Second, since all wage determination must be considered with reference to a prospective period, conflicting expectations as to the future are certain to result in divergent applications of any set of wage principles. The point is not merely that the future in general is uncertain but that uncertainty exists in respect to the magni-

tude of specific factors—such as output, price, and productivity—vital to present wage determination.

Third, the application of wage slogans or principles is complicated by the fact that the parties frequently have conflicting and divergent basic objectives. These are particularly contentious when the "time horizons" of the parties are markedly different. The company may be interested in remaining in business over the long run while a union may be interested, by virtue of the political problems of leadership, in its position during the next year. Or the union may be interested in maximizing the position of union members during their lifetime without regard to new and younger employees. A further illustration of this basic conflict exists in a situation in which the management of a particular company may be interested in the continuation of its own position over a period of time, while the union may be concerned with the industry more broadly. Such conflicts in basic objectives are certain to yield divergent wage levels.

Fourth, even if any one of these standards could be applied in an unambiguous way, the problem would remain of choosing among these alternative standards or weighting the results they yield. No two of the principles would result in the identical wage-rate change in a specific situation.

These difficulties suggest a pessimistic conclusion as to the contribution which economics can make to the solution of wage disputes. There is no royal road to the application of economics to wage determination. There is no simple formula which may be simply applied to particular cases. The rigor of the classroom diagram blurs in the face of the complexities of collective bargaining when the rigid assumptions of the formal analysis have been removed. In fact there are no "economic" problems in the real world. There

may be economic aspects of problems, but the real problems which require decision must be faced as entities. The more frankly and explicitly technical economists admit this fact, the greater the assistance they may eventually give in the solution of practical problems of wage determination in particular cases.

A. G. POOL¹

The Capacity of Industry to Pay Wages

A. G. Pool is an English economist.

That wage rates should be determined partly, if not wholly, by reference to the capacity of each industry to pay, is widely accepted as one of the basic principles of wage regulation by organisations of employers and of employed, as well as by industrial arbitrators and statutory wage-fixing authorities. Both the parties to the wage contract are prepared, in appropriate circumstances, to base their claims to changes in wage rates on this general principle. A decline in the rate of profit which can be earned in a particular trade normally induces the employers in it to press for wage reductions, on the ground that the trade can no longer bear such high wages as hitherto; while a rise in the rate of profit leads to demands for wage increases by organised labour, on the plea that the trade can now afford to pay higher rates.

Neither party, as a rule, advocates the

¹ From A. G. Pool, *Wage Policy in Relation to Industrial Fluctuations*, by permission of The Macmillan Company, publishers, London, 1938, pp. 3-4; 5-16.

adoption of this principle to the exclusion of all other considerations. If its application in a particular situation would lead to the establishment of wage rates which either party deems "unfair" or undesirable, some other principle of wage regulation is likely to be adduced as a counter-consideration. When, for instance, the maximum wage rates which the employers in a particular trade claim they can bear are abnormally low, or when drastic wage reductions are threatened, trade unions are likely to take their stand on the principle of the "living wage" and to urge that a wage adequate to meet the requirements of a "decent" standard of living should be a first charge on the proceeds of every industry; and that if a particular trade cannot bear such a wage, it is better that it should go out of existence. Again, both parties subscribe, in different circumstances, to the principle of "fair wages" and are prepared to contend that the rates proposed should not be adopted, because they are unfairly low or unfairly high as compared with the rates earned by workers of similar efficiency in other comparable trades.

Any estimate of the maximum wage rates an industry can bear must depend on which particular combination of a series of alternatives is adopted as the criterion of the wage-capacity of an industry. Are wage rates to depend on what a trade can afford to pay in the short period or in the long period? Is an industry's wage-capacity to be assessed by reference to what the most profitable firm can afford to pay, or the least profitable, or some representative firm? Further, are wage rates to be fixed at such a level as will just induce the firms in an industry to continue to produce on their present scale or on some larger or smaller scale? And finally, is a continuance of the existing methods of production and organisation to be assumed, or are wage rates to be

based on what an industry *could* afford to pay if all firms adopted the most efficient methods that are known? Unless the parties to wage negotiations give the same answers to all these questions, it can hardly be expected that their estimates of an industry's wage-capacity will coincide. These alternatives, and the likelihood of the several parties reaching agreement on them, will be examined in turn.

1. *Long-period and short-period capacity to pay wages.* In the first place, we have to distinguish between the long-period and the short-period wage-capacity of an industry. In the long run, if all the firms in an industry are to remain in business, wage rates must be such as will enable them to secure at least "normal" profits on their capital. In the short period, on the other hand, wage rates may be maintained at a level which, though too high to permit of the earning of normal profits, does enable the firms in the trade to recover at least the prime costs of their current output, so that production is, for the time being, continued. When an industry is depressed, there is naturally a tendency for organised labour to adopt the short-period view of wage-capacity, and to expect firms to put up with less than normal profits until either a recovery of demand or a reduction of costs restores a normal level of prosperity; employers, on the other hand, assessing the wages an industry can bear by reference to the need for normal profits, feel justified in pressing for wage reductions as a means of restoring profitability.

There is clearly a good deal of justification for the adoption by wage-earners of the short-period view of wage-capacity, in that one of the functions of the risk-bearer in an individualist system is to absorb the first shocks arising from the onset of depression. But there is obviously a time-limit to both the willingness and the capacity of risk-bearers to absorb these

shocks, depending mainly on the ease with which capital can be transferred from the depressed trade into more remunerative channels, and on the capacity of the firms concerned to finance continued losses. The longer wage rates are maintained at the maximum level a trade can bear in the short period immediately following a decline in demand, the greater is the volume of unemployment suffered by the wage-earners in that trade bound to become.

2. *The differing wage-capacities of individual firms.* Secondly, as costs of production and rates of profit vary from firm to firm in a competitive industry, owing to differences in organising ability, scale of production, access to markets and many other factors, the question arises as to which firm's wage-capacity is to serve as a measure of what the trade as a whole can afford to pay. Are wage rates to be fixed so as to enable the firm with the highest unit costs to continue to make normal profits, or the firm with the lowest unit costs, or some "representative firm" with modal unit costs? The least efficient employers urge, as is only to be expected, that wage rates should be fixed at such a level as will enable them to secure at least a normal profit on their capital, and prophesy the wholesale ruin of the industry if any higher rates than these are fixed. The more efficient and enterprising firms, on the other hand, tend to interpret the capacity of their trade to pay wages by reference to what they themselves can afford to pay. They realise that the fixing of wage rates at a level within their own capacity to pay, but above that of the firms with comparatively high costs, will tend to eliminate the latter from the industry and so increase their own opportunities for development. In the industries covered by Trade Boards, for instance, the more progressive employers have welcomed the establishment of legal mini-

mum rates at higher levels than the weaker firms can afford to pay, because it gives them protection against the "unfair" competition of inefficient firms paying lower wages than themselves.

It is not an uncommon practice for industrial arbitrators and wage boards to base their decisions on what "reputable firms" or "ordinary efficient employers" can afford to pay, these being approximately the "representative firms" of economic theory, neither the most nor the least efficient, but typical of the general run of firms in a trade. When legal minimum wage rates are being established for the first time in a "sweated" trade, this practice appears on the whole to be economically sound. It is based on the fairly reasonable assumption that the firms which are less efficient than the average could, by improving their organisation and technique along the lines already proved successful by the majority of firms, increase their wage-capacity to something like the average level. On the other hand, it is not based on the unreasonable assumption that every firm in an industry could raise its efficiency to the level attained by the most efficient. It is as unrealistic to postulate equality of organising ability in all firms, as to assume that all men are equally intelligent or all plots of land equally fertile and well-situated; an unequal distribution of organising ability must be accepted as one of the basic features of the structure of a competitive industry.

From the point of view of practical wage-fixation, the basing of standard rates on the capacity of the representative firm has the further advantage of generally providing the most acceptable compromise between the conflicting interests of the parties involved. It is doubtless this consideration which mainly accounts for the comparative popularity of the practice amongst wage-fixing authorities.

But as a permanent method of regulating the standard wage rates in a trade it is much more open to criticism. Suppose that in a competitive trade the disparity between the wage-capacities of different firms is due not to inequalities of efficiency arising from avoidable slackness on the part of some firms in bringing their technique and organisation up to date, but to innate inequalities in the organising ability of the heads of the different firms. Under these circumstances, if wage rates are based on what the representative firm can just afford to pay, firms less efficient than the average will ultimately be forced out of business through their failure to secure normal profits. The firms which were formerly representative will now have become marginal and less efficient than the new representative firms. If wage rates are again based on the wage-capacity of the new representative firms, there will be a further withdrawal from the trade of firms of less than average efficiency. And so the process of eliminating firms will continue until there remains in the trade either a single firm or a group of firms whose wage-capacities are practically equal.

In short, the systematic adoption of the practice of adjusting wage rates to the capacity of the representative firm would lead logically to the progressive elimination from each industry of all firms except the most efficient. This would be an economically sound tendency in an industry in which minimum average costs could be attained only when the most efficient firm had reached a monopolistic position. In any other case, however, it would have the effect of raising marginal cost and therefore of curtailing the output and raising the price of the industry's product.

3. *Wage-capacity in relation to the scale of production.* Thirdly, there arises the

question: Are wage rates to be fixed so as to enable the firms in a trade to secure normal profits on the capital already invested in the trade or on some larger or smaller amount of capital? The wage rates an industry can "bear" in given circumstances are clearly higher if it is to be allowed to contract than if it is to be induced to expand. Hence the reply to the question just posed depends in practice on whether the party concerned is seeking to establish a case for higher wages or lower or for the maintenance of existing rates. Employers negotiating for wage reductions are likely to urge the need for further capital development and for the earning of a rate of profit which will make additional investment in the industry worth while. At the very least, they will seek to establish a wage-level which will permit the earning of normal profits on the existing capital.

Wage-earners, on the other hand, are not likely to accept the contention that wage rates should be maintained at a level which will allow more than normal profits to be earned on the existing capital so as to encourage expansion of the industry; any abnormal profits, in their judgment, set up a strong *prima facie* case for wage increases. And in a trade which has experienced a decline in the demand for its product they will challenge any interpretation of wage-capacity based on the alleged need for normal profits on the whole of the existing capital. . . .

Broadly speaking, we can say that employers are likely to assess the wages a flourishing trade can bear by reference to the desirability of further capital expenditure, and to assess the wages a depressed trade can pay by reference to the need for maintaining intact the capital already invested. Wage-earners will contend that a flourishing industry can bear higher

wages as long as more than normal profits are being made on existing capital, and will claim that a depressed industry can bear wages which will permit the earning of normal profits only on some smaller amount of capital than has actually been invested.

In a stationary state in which there occurred no savings, no changes in the demand for individual commodities and no technical improvements, it would be sound policy to adjust wages so as just to permit the earning of normal profits on the existing capital equipment of each industry; there would then be no inducement to undertake additional capital expenditure in the system as a whole or to transfer capital from one trade to another. But in a dynamic society where savings, technical progress and changes in consumers' tastes are continually occurring, such a wage policy would have the most disastrous consequences.

Firstly, if any real investment (*i.e.* net addition to a community's real capital) is to be undertaken, it is clear that wage rates in some, if not in all, parts of the industrial field must be sufficiently low to make the prospective rate of return on the cost of additional capital assets exceed the current rate of interest. That is to say, there must be a prospect of returns on new capital exceeding the "normal." A policy of pushing up wage rates in all industries to such an extent that no abnormal profit could anywhere be anticipated would therefore prevent any new investment from being undertaken and cause the whole system to stagnate.

In the second place, changes in the tastes of consumers involve changes in the relative demands for labour in different trades, the decline in demand in some directions being compensated by an increase in others. If, in the industries with

expanding demands, wages are pushed up to such an extent that no abnormal profits emerge, then, in spite of the increasing demand, no extension of the capital equipment of those industries will be worth while, and consequently no vacancies will be created into which workers could move from the industries with declining demands. Thus the successful pursuit of a policy of adjusting wage rates in all trades so as just to permit the securing of normal profits on existing capital, is calculated to obstruct the occupational redistribution of labour required by changes in consumers' demands. In the same way, the industrial transference of labour which should accompany technical progress would be rendered impossible if this wage policy were systematically pursued.

4. *Wage-capacity in relation to the volume of employment.* Fourthly, it has been suggested that the wage rates an industry can bear should be interpreted to mean those rates which employers can afford to pay when they provide employment for all the workers attached to the industry. With this interpretation, the presence of unemployment in an industry would indicate the existence of higher wages than the industry could bear, while unfilled vacancies would indicate too low a wage-level. Such an interpretation is unlikely to commend itself either to workers or employers; it is, moreover, open to the objections discussed in the preceding paragraph.

It is conceivable, for instance, in a trade with a good deal of "technological unemployment," that no wage reductions, however great, would lead to the reabsorption of all the unemployed attached to the trade. Such a condition is likely to be found where the demand for the product is highly inelastic and where the elasticity of substitution of labour is very low,

Nobody, obviously, could accept as reasonable the contention that zero wages were more than a trade could bear because they would still leave some unemployment in the trade. Again, if wages were continuously adjusted so as to provide full employment for all the workers already attached to an industry, wages would steadily rise in any industry enjoying an expanding demand for its product, no unfilled vacancies would ever appear, and it would be impossible to absorb any of the workers thrown out of employment, or alternatively receiving lower wages, in industries suffering from declining demands.

5. *The influence of technique on wage-capacity.* Fifthly, the maximum wage rates a trade can bear may be estimated on the assumption either that the firms whose wage-capacity is being measured make no changes in their present technique, or that they adopt the most efficient methods that are at present available. We have to distinguish, in other words, between the wages a trade *can* bear at the moment and those it *could* bear if improved methods, already discovered, were introduced. The natural tendency of employers is to treat this distinction as of little significance and to urge that, even if some further technical and organisational improvements were made, the wage-capacity of their trade would be but little affected. By organised labour, on the other hand, the distinction is considered vital. The British miners, for instance, have consistently argued during the difficult post-war years that the coal-mining industry could be made to bear higher wages if improved methods of producing and distributing coal were adopted: wage rates, they have contended, ought not to be attacked until the industry has been reorganised and proved still incapable of bearing the wages demanded by the men.

H. A. MILLIS
and R. E. MONTGOMERY¹

Levels of Living

H. A. Millis (1873-) is professor of economics at the University of Chicago, has been Chairman of the National Labor Relations Board, and arbitrator in many industrial disputes.

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1. *The Poverty Level.* The term poverty, as popularly used, is a purely relative thing. "We are so poverty-stricken that we cannot afford a new car this year." In the technical usage we employ here, however, it indicates a distinct state of submergence—a level at which family income, even though expended with ordinary prudence, is insufficient for physical upkeep. The earmarks of poverty are always apparent: undernourishment, overcrowding, deterioration of household equipment and clothing, liability to acute distress with any minor disturbance of the daily equilibrium. Sickness or other emergencies increasing expenditure almost invariably throw families living at this level upon charitable relief. During the postwar period of relatively stable prices, from 1922 to 1929, between \$1,050 and \$1,250 would have been necessary in the larger American cities to bring a standard family just above the poverty level, and between \$825 and \$1,025 would have been necessary in 1936 and 1937 [\$1,320-\$1,640, 1947 prices].

2. *The Minimum of Subsistence Level.* This is the standard that can be maintained when family income is sufficient

¹ By permission from *Labor's Progress and Some Basic Labor Problems*, by H. A. Millis and R. E. Montgomery, copyright 1938, by McGraw-Hill Book Co., Inc., New York, pp. 64-68.

for physical and material upkeep but is insufficient for either major emergencies or any social pleasures costing money. If anything is spent for the latter purposes—and major emergencies are, of course, inevitable—the cost must be met by a curtailment of consumption of basic necessities. In practice, families living at this level do enjoy a few social pleasures and summon a physician in the case of critical illness, with the result that they are often found to be living under insanitary conditions, frequently they are undernourished, and almost always they are overcrowded. As an average for the larger cities of the United States, an income of between \$1,250 and \$1,450 was necessary to support a family at just above this level during the 1922-1929 period, and in 1936 and 1937 between \$1,025 and \$1,225 was required [\$1,640-\$1,960, 1947 prices]. Budgetary studies reveal that the typical apportionment of expenditure for families living at this level is approximately as follows: food, 40 per cent; clothing, 18 per cent; housing, 19 per cent; fuel and light, 6 per cent; and sundries, 17 per cent.

3. *The Minimum Health and Decency (or Subsistence Plus) Level.* Families living at this level have the income needed not only for physiological existence, but also for some elementary social necessities. Medical attention, carfare, insurance, a modicum of recreation, clothing compatible with self-respect as well as sufficient to provide bodily protection, an elementary education for the children, and some self-improvement requiring expenditure can be had without the necessity of "taking it out" of food. The level is, however, far from what contemporary thinking would regard as "liberal." Although model budgets for families living at this level allow approximately one-fifth of the income for sundries, this category includes everything except the basic necessities of food, housing, clothing, and fuel and

light; and unless the family purchases these necessities upon a scientifically worked out plan, the amount available for sundries must be materially reduced. Between \$1,450 and \$1,800 would have been necessary to support a standard family at this level in 1922-1929, and between \$1,225 and \$1,500 in 1936 and 1937 [\$1,960-\$2,400, 1947 prices]. The typical apportionment of income for families living at this level is probably about as follows: food, 35 per cent; clothing, 18 per cent; housing, 20 per cent; fuel and light, 5 per cent; sundries, 22 per cent.

4. *The Comfort Level.* This standard of life has been attained as yet by only a minority of the American wage-earning families, and by still fewer in other countries. "It represents the attainment of the highest class of wage earners and the cynosure of the rest." At the comfort level a family is able to live in a decent house or apartment, modestly equipped and decorated; it has reasonably adequate funds available for such items as insurance, education, vacations, health maintenance, and amusements; something less than 30 per cent of total income is generally spent for food, although in absolute figures about 10 per cent more than is spent by families living at the subsistence-plus level; and nearly 30 per cent of the family income may be spent for sundries. At 1922-1929 prices, the total cost of maintaining the comfort standard in American cities was certainly not less than \$1,800, and in the majority of places probably more nearly \$2,250, and in 1936 and 1937 not less than \$1,500 and in most places more nearly \$1,850 [\$2,400-\$2,960, 1947 prices]. The typical apportionment of income is: food, 29 per cent; clothing, 18 per cent; housing, 20 per cent; fuel and light, 6 per cent; sundries, 28 per cent.

Which of these levels shall we take as our standard of "adequacy"? While the

decision must, in the last analysis, be a somewhat arbitrary one, it is of real importance in our study; the extent of "inadequate" earnings indicated will be much greater if we compare the incomes workers have received with the cost of the comfort budget than it will be if we compare them with the cost of the bare subsistence level.

The budgets of minimum social desirability which virtually all the earlier students attempted to describe conform rather closely to what we have denominated the *minimum health and decency*, or *subsist-*

ence-plus, level. Families living at the bare subsistence level—overcrowded, unable to carry insurance, forced to "take out" of food the cost of any major emergencies or social pleasures necessitating expenditure—are not maintaining livelihoods that socially minded citizens would consider "adequate." On the other hand, students formulating standards of adequacy have usually not taken the *comfort* level as the minimum, because as a practical matter it has not seemed within the realm of immediate attainment for the great mass of the workers.

22. Wage Theory

THE IMMEDIATE interests of workers and trade unions, management, and the public are not identical with respect to the wage issue. All parties, however, have one general set of long-run objectives in common: the efficient, profitable, and useful production of goods and services and the creation of maximum employment opportunities. Wages have an impact on the economic factors that contribute to the achievement of this set of common objectives. One task of economic theory is to clarify the mutual causal relationships between wages and these several factors. A second task of theory is to explain how wages are determined. A wage structure exists at any moment of time and undergoes constant change. Unless its establishment and revision are entirely erratic, certain central factors must be at work creating and transforming it. How can wage rates and wage changes be explained?

Efforts to explain wage behavior are almost as old as the study of economics. One constant problem has been that labor is not a passive commodity. Out of this fact grow some of the other problems. Wage rates and efficiency are linked, though prices and performance of inanimate factors are not. Labor is concerned with more than its wage. It does not move from place to place and job to job solely in response to changes in wage. The worker in selling his services has preferences other than monetary income alone. He may, also, combine with other workers to withdraw some or all productive effort, or to control the market within which his labor is sold. Commodities do not act in this way. This makes wage analysis more difficult than price analysis, and explains the attention which must be paid to imperfections, including techniques of control.

Among modern economists, the marginal productivity theory has had the widest acceptance. It is part of the general theory of value. The central theme is that, under conditions of competition, the wage rate will equal the marginal net value product—the net contribution of the last man employed. Beyond that the employer cannot afford to pay since he would be expending more than he got in return. The theory offers a simultaneous explanation of the volume of employment at the level of the individual firm. It will pay the employers to hire up to but not beyond the point where the cost due to hiring the last worker just equals the marginal net value product. The employers cannot pay less than the market rate, or another employer will hire the worker away. Wages and employment have been determined by the interaction of supply and demand.

This theory has been attacked on several grounds. The basic criticism is that its usual assumptions are not realistic, and revision of the assumptions to fit reality makes wages so indeterminate that virtually no useful explanation is offered at all. Under the standard assumptions, it logically follows that a single wage rate will apply to a single class of work in a single labor market area, and beyond that area after allowance has been made for costs of transference. Actually wage rates vary greatly for the same class of work in the same area, and even more tremendously as additional areas are included. Allowances may be made for ignorance, time-lags, nonmonetary goals, uncertainty, and many other factors, but then almost anything may happen, and the theory provides such a general explanation that it is of very little use in explaining any single wage rate. Internal wage structures within firms are particularly difficult to explain. The theory is finally reduced to providing an explanation of the most general of tendencies.

One form of revision is to say that supply and demand in the market set a floor for wages but that individual firms may be able to pay above this level and may elect to do so because they want to be safely above the floor, or to keep out competitors, or to raise efficiency, or to simplify the managerial tasks of the officials. The marginal productivity theory also concentrated largely on demand. It becomes necessary to examine the nature of the supply of labor to the firm, and how lack of information and other impediments to mobility and reactions of other firms to changes in rates may make the supply of labor to the individual firm quite different from that in the traditional model of a competitive labor market unmarred by imperfections. Thus, after the central tendency is known, a careful examination must be made of the forces at work on both demand and supply.

An alternate theory is the bargaining power theory. This states that there is no single economic rate for a particular class of workers. The actual rate will depend upon the pressures exerted within the labor market, and in the whole chain of markets above and below, from raw materials to consumer products. The pressures throughout the system determine wages. Under this theory wages could be almost anything. They are almost completely indeterminate.

It is noteworthy that wages are generally equal not where the market is free but where it is controlled. As workers and employers act more and more in concert, it becomes more important to inquire how force, often politically motivated, affects wage determination, and how wage rates and changes spread from market to market due to influences other than the physical movement of labor. Organized markets are becoming increasingly the rule rather than the exception. While various forms of pressures and wage comparisons and concepts of equity may seem the most immediate forces at work, supply and demand set the lower and upper limits, although both of them may be controlled as well as the wage rate. Marginal productivity as set against the bargained wage may have more immediate effect on employment than on wage setting. Once the wage is set on other grounds, the employer by reference to marginal productivity roughly determines

his volume of employment. Wage rates may affect this marginal productivity by affecting the efficiency of the workers and of management.

In such organized markets, wages are directly determined within upper and lower limits by bargaining power, and marginal productivity matched against these wages determines employment.

MAURICE DOBB¹

Definitions

Maurice Dobb (1900-) is a well-known English economist and lecturer in economics, Cambridge University.

Wage Rates and Earnings. When we speak of a wage-rate, we usually refer to the amount paid to the worker per hour or per normal working day or for performing a certain job. . . . When we talk about the standard of life of the worker and his family, we are concerned with the total *earnings* of the family-unit over a whole week, or a whole year: it is the total amount in the pay-pocket that interests us in this connection, rather than the wage-rate per hour or per piece of work done. We cannot judge what is happening to the former solely from figures about the latter; and for a number of reasons these two quantities may change quite differently.

Firstly, a worker's earnings will vary according to the number of hours for which he secures employment in the week, and according to the number of weeks of work he does in the year. . . .

Secondly, earnings may change in a different way from wage-rates because a movement has taken place between grades, having the result of altering the relative number in each grade. . . .

Thirdly, earnings of workers who are

¹ Maurice Dobb, *Wages*, James Nisbet and Company, Ltd., London, 1946, pp. 25-39.

paid by the piece may be affected by a change in the speed of work. The amount of work that a worker gets through in a day may change either because of greater effort exerted by himself or because of changes in the machinery or the raw material with which he works or changes in the way in which the work is organised. . . .

But before we can calculate anything about the standard of life of the worker and his family, we have to know something more than the earnings of the individual wage-earner, and how these earnings have changed. Here the family is the unit; and one needs to know both how many earners there are to a family and how large the family is that these earnings have to support. . . .

Index Numbers of the Cost of Living. Difficulties further arise when from the figures of money wages one tries to estimate differences in real wages by making allowance for differences in the cost of living. Where the commodities consumed in the two cases which are being compared remain the same, little difficulty is involved. Information can be collected concerning a certain "sample" of actual working-class family budgets in a given year or in a given case, and an average of the various budgets in the sample can be drawn. This average budget will be made up of various commodities in different quantities—so much bread, so much meat, fuel, light, clothing, house-room and so forth. Then the cost of purchasing this average budget in the two cases can be

calculated, and the difference of cost expressed as an *index number*, with the figure in one case (called "the base") for convenience expressed as = 100. For instance, one might have an index number of the cost of living represented in the two cases thus:

- (1) 100
- (2) 120

The two cases might be either two countries or two years between which a comparison was being made. Then the difference of money-wages in the two cases could be divided by the difference in the index number of the cost of living, and the relation of real wages in the two cases could thus be obtained. For instance, if wages between two periods rose from 40s. to 48s. and the cost of living index number from 100 to 120, real wages would have remained unchanged.

But in actual practice the various items which go to make up a family budget seldom are the same at two different periods and in two different countries. Different commodities have different importance in the two cases. One commodity will appear in one and an alternative or substitute in another. Over a certain period families may give up eating butter and take to margarine; they may eat less ham and more beef; they may spend less on beer and more on clothes. . . .

Just after the First World War one found Professor Bowley, on the one hand, claiming that the official cost of living index number *over-estimated* the rise in prices because in practice people had altered their habits and transferred to cheaper substitutes (e.g. from butter to margarine); while on the other hand complaints came from the trade unions that the official figure *under-estimated* the rise, since it took no account of deterioration in the quality of the things which were bought and gave too little "weight" or importance to things like clothing which had risen in price more than the

average. It has sometimes been suggested that the difficulty could be overcome by taking a standard of calories, or food values, and equating different articles on the basis of the number of calories that they severally contain. But it seems doubtful whether this would suffice even when one was dealing only with food: in the light of the recent emphasis by scientists on a balance of vitamins and minerals in the diet an estimate of calories alone would clearly be incomplete. For anything else than food, where psychological as well as purely physiological considerations come in, a physical standard of this kind could not assist us.

The fundamental difficulty is that the "standard of life" which one is seeking to compare is hardly a quantity and cannot be measured. We may define a "standard of life" objectively as consisting in the satisfaction of certain physiological and psychological needs,¹ or subjectively as consisting in a certain degree of happiness or satisfaction of desires; but in either case, although the standard is something which can be spoken of as being greater or less and so can be compared, it is not possible to express this as greater or less by a given amount. Hence, when we try to measure and to express the standard of life in figures, we are fitting an unmeasurable thing to a certain scale of our own, just as when an examiner tries to compare the intelligence of his examinees by allotting marks to them. In either case the precise way we fit what we are trying to compare into our scale of comparison must be largely arbitrary. All we can do is to ensure that we do not place the various items in the wrong order in the scale and that we reduce the possibility of error to a minimum.

¹ Perhaps "needs" are a quantity although "desires" are not. But even if physiological needs are capable of being expressed quantitatively in calories or something of the sort, psychological needs at present are not.

Money-Wages and Real Wages. The standard of life of wage-earners will evidently remain unaffected if the money paid to them in wages is doubled but the amount available of the things which they ordinarily consume remains unchanged. There will be shortages and queues, such as were a familiar product of swollen demand and limited supplies in wartime, and an upward pressure on prices until prices have risen as much as money-incomes (or, at least, that part of income that is *spent*) have increased. In other words, although *money-wages* have risen, *real wages* will remain unchanged. Some persons have gone so far as to suggest that the possibility of real wages rising all around is always fairly narrowly limited by the fact that the available supply of primary foodstuffs is for the time being fairly fixed, and can only be increased after an interval of time. It is true that after sufficient time has elapsed—perhaps a year or two years or more—the increased prices of things consumed by wage-earners may encourage capital and labour to be transferred to producing these commodities so that their supply is ultimately increased and real wages can rise as well as money-wages. But this will only happen if demand is not simultaneously increasing from other directions as well, and if it is only the goods consumed by wage-earners that are in short supply. If the demand from people other than wage-earners has also grown, however—either because incomes generally have increased or because well-to-do people are drawing on their bank-balances in order to spend more—prices will have a tendency to rise all round. In this case no transfer of resources into producing more of the goods consumed by wage-earners is likely to take place, and no rise in real wages will occur. In practice, of course, most of the things which wage-earners consume will be consumed by other sections of the community as well. If the prices of these

things start to rise because wage-earners have more money in their pay-packets and are buying more, it may well happen that non-wage-earners (especially well-to-do people), instead of cutting down their consumption and so leaving more available to meet the higher demand from wage-earners, may simply draw on their bank-balances and increase their expenditure correspondingly in an attempt to keep their slice of the cake as large as before. In other words, there is a considerable chance that people with bank-balances (and hence with a fairly inelastic demand in face of a moderate rise of prices) may so act as partly, or even wholly, to defeat the attempts of wage-earners to increase their share of the goods available by securing an increase in their money-wages.

The possibility that something of this kind may occur (unless there are price-controls in operation) is reinforced by the large amount of monopoly that exists in the economic system of today. . . . But if it is customary in an industry for firms to choose that combination of price and output which will yield them the maximum profit over their direct expenses of production, adding on to the latter a certain margin (whether as a percentage or as an absolute amount) in order to arrive at their selling price, then a rise in wages, and hence in direct (or prime) expenses of production, is likely to result in an equivalent stepping-up of the selling price. If demand does not rise proportionately to wages, then the output that can be sold at this higher price will tend to shrink, and may shrink so drastically as to force firms to reconsider their price-policy and to revise the profit-margin for which they allow on each unit of the commodity in a downward direction, in the interests of larger sales. But if the demand for commodities rises, as well as wages and costs, for the reasons mentioned in the previous paragraph, both the

higher level of prices and the previous volume of sales can be maintained; and firms will have been successful in simply passing on the higher wage-costs in higher prices. Money-wages, prices, money profits and demand will all have risen. But, as a result, real wages and the slice of the cake which wage-earners can secure will have remained unchanged. This may possibly help to explain why the share of labour in the national income has remained so constant.

An example which has frequently been cited where money-wages rose and prices rose still faster, with the result that real wages actually fell, is the period between the closing years of the nineteenth century and the outbreak of the First World War. During this period, following increased world gold supplies and an inflow of gold into this country (coupled with a big increase of foreign investment-activity), money incomes generally increased. But the incomes of other sections of the community increased faster than wages. The result was, first of all, to raise the price of the things on which these other people spent their money—chiefly comforts and luxuries. It has been suggested that what happened in consequence of this initial price-rise was that, since luxuries were now relatively more profitable to produce, labour and capital tended to be attracted to their production away from the production of primary necessities consumed by the working class; and this transfer of resources, by reducing the supply of goods on which wage-earners spent their money and raising their price, occasioned a fall in real wages.

In this case rising money-wages and prices seem to have been associated with falling real wages. On the basis of this example and of some others, it used to be generally supposed that prices tended always to rise faster than money-wages at times of rising prices and to fall faster than money-wages at times of falling

prices; so that the former were generally periods when real wages were falling and the latter were periods when the wage-earners' standard of life tended to rise. In recent years, however, this previously accepted view has been called in question; and a certain amount of evidence has been collected to suggest that at times of boom and of expanding output and employment (when both prices and wages tend to be on the upward path) real wages actually rise, and that in times of slump and of contracting output and employment they are as likely to fall as to rise. The evidence is not entirely conclusive, and the question remains one of some dispute. But it seems to be clear that the whole question of the connection between money-wages and real wages is a more complicated one than was formerly supposed; and the correct answer seems to be that no single generalisation about the connection between them holds true of all situations.

G. S. WATKINS and P. A. DODD¹

Labor Not a Commodity

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Labor resembles a commodity in that, like other objects of exchange, it com-

¹ By permission from *The Management of Labor Relations*, by G. S. Watkins and P. A. Dodd, copyright 1938, by McGraw-Hill Book Co., Inc., New York, pp. 13 ff.

mands a price on the market. The quality of exchangeability, however, does not reduce human beings to the level of impersonal things. The energy and skill which are sold by the laborer are inseparable from his life and personality; these are essentially a part of himself. What happens to the commodities which a merchant sells is of no consequence to him once they are delivered and paid for. The purposes for which these goods are used, the method of using them, and what finally happens to them do not concern him in the least. It is quite otherwise with the worker who sells his labor power; he must accompany what he sells, and the conditions and methods of its use are of vital concern to him. His own immediate welfare, the welfare of his family; his future and, consequently, the future of those who depend upon his economic efforts; his health, and his very life—all are invariably involved in such a transaction. . . .

Commodities have a relatively high degree of mobility and can be shipped readily to the most favorable market. Laborers enjoy no such mobility; financial considerations, family ties, inertia, fear, ignorance of more favorable markets, and numerous other factors restrict the free migration of the average workman. Labor, moreover, is characterized by extreme perishability and, like perishable commodities, it must often be sold at a forced sale on an unfavorable market. The average worker cannot afford to wait for a more attractive opportunity to sell his skill and energy, since to him a day lost is irretrievable. Seldom does the merchant find the disposal of his product of such vital importance as is the sale of labor power to the wage earner. The worker's financial reserve is usually so small that idleness for more than a brief period is likely to entail severe hardship.

The replacement of labor is compara-

tively a difficult and slow process, since it normally depends upon the birth rate and the growth of human beings. Long periods of time are thus required to replenish a country's labor supply. The replaceability of commodities is usually only a matter of days or months.

Finally, labor is not, like commodities, a passive object. Rather it represents conscious human personalities with a mosaic of native and acquired tendencies, socially determined modes of behavior, and an almost insatiable desire for a more complete life. Active and alert to new sources of satisfaction and happiness, workers as human beings are naturally sensitive to new comforts, new pleasures, and improved standards of living which education and acquisitive industry and business bring to their attention. Moreover, workers are as capable of resentment as they are of cooperation; hence, they will not accept willingly any attempt either to depress their established standards of living or to prevent progressive improvement in their ways of life.

MAURICE DOBB¹

Theories of Wages

WHAT A THEORY OF WAGES TRIES TO DO

When an economist constructs a theory of wages, what he is trying to do is to sketch an abstract picture or diagram of the way in which wages, as the price of labour-power, are connected with other prices and other economic quantities. He is sketching a picture made up of relationships of interdependence of such a kind that a change taking place at any one point produces related shifts and

¹Maurice Dobb, *Wages*, James Nisbet and Company, Ltd., London, 1946, pp. 97-123.

changes over the whole of the area that he is studying. His picture is a true portrait or not according as its contours correspond or do not correspond to the contours of the real world which it claims to depict. At the same time he generally tries to do something more than draw a picture. Not only does he attempt to simplify the picture in greater or less degree, so as to emphasize those relationships which he thinks to be of major importance; but he tries to depict them in such a way as to rest the structure of interdependent relationships on certain "key" quantities, whose position can be known independently of the rest, and which, when known, are sufficient to enable him to calculate the position of the other variable quantities (in this case wages). Of course, in actuality nothing is independent and everything reacts in some degree on everything else. But if this one-way influence of the "key" factors on the other variable quantities is a sufficiently dominant one, contrary influences can be treated as negligible and the assumption of independence can be taken as "good enough" for most purposes. One will then have a theory which enables one to calculate, or to determine, what the wage-level must be as soon as these given data, or key factors, are known; just as in mechanics a theorem enables one to postulate a certain equilibrium-position or certain paths of movements, given the position and strength of the determining forces. The theory will also tell one, in the case of, say, a difference in wages between two periods of time or two countries, to what this difference must be ultimately traceable, in the sense that changes in certain quantities are alone adequate to make possible any permanent change in wages. The theory (in so far as it is true) starts from a description of how things are actually interconnected as basis for a calculation of what changes

will occur in certain situations. In turn, such calculations can be used as a guide to action—to show how things can be changed.

But a theory may be untrue because the connections which it depicts do not give a true picture of the real world, either because they are nonexistent or because relationships are omitted that are of major importance and have to be taken into account. A theory, again, while true within limits, may not be adequate for the purposes which it is designed to serve—to answer the questions it claims to answer—because the "key" factors which it has singled out as basis of its calculations and forecasts are in fact much less independent of the other variable quantities than it has supposed. People have sometimes said of theories of wages that the labour-market is in fact much too complex a tangle of interacting forces for any simplified theory to yield calculations which have much validity outside a special type of situation or a limited period of time. Hitherto progress has been hampered by the scarcity of statistical evidence, or even of systematised data, as to how wages actually behave, and how movements of wages are correlated with changes in other factors. Theories of wages have, therefore, had to be built out of a highly simplified picture of the real world, sketching only the broad outlines of the more obvious features, on the basis of general knowledge or else of inference as to the general shape which things have. The paucity of statistical data is today beginning to be repaired, and recently some valuable studies have been made of such data, which enable us to fill out our picture in important places. But even here the complexities of the real world are often a serious limitation: variation and change may be sufficiently great for any general statement based upon data drawn from one place or one period of

time to have a very limited application to a different place or a later period of time when the situation has altered and the constellation of forces is in significant respect different.

TRADITIONAL THEORIES OF WAGES

Traditional theories of wages have been mainly of a fairly rigid kind: that is, they have given a fairly simple and definite statement of the factors which determine the level of wages. Most of them (though not all) have implied that the level of wages cannot, save in rather exceptional cases, be permanently altered (at least, without corresponding damage to wage-earners in some such form as unemployment) by interferences with the free play of economic forces in the labour-market, whether this interference take the form of trade union action to compel employers to employ men at a certain standard wage or of legislative action by the State to impose a minimum wage. From time to time criticism has been levelled against such theories, on the ground that they neglect a number of important relationships (specially a reflex-influence of the wage-level on the given factors) and assume that wages are much more rigidly determined by the given factors which these theories emphasise than is really the case; and in recent years such criticism has again gathered force and accumulated some weighty arguments in its train. . . . For the moment we are concerned with what the traditional theories have themselves maintained. These theories can be broadly classified into two main types, according to the type of determining factor on which their emphasis has rested. On the one hand are those theories which have explained wages predominantly in terms of factors which influence the *supply* of labour-power—virtually, cost of production theories of wages. On the other hand are those theories which have

treated wages as being determined primarily by certain factors which influence employers' *demand* for labour, such as the supply of capital and/or the productivity of labour. Some economists (most notably, Marshall¹) have tried to erect a synthesis of the two types of explanation and to hold a balance between the two sets of determining influence; and so have produced a theory of a hybrid type.

The Subsistence Theory. The earliest theory that we meet was a supply-theory and was in some ways the simplest of them all. It stated simply that the price of labour depended on the subsistence of the labourer. Wages equalled the amount of commodities necessary to feed and clothe a worker and his family, which represented the cost to society of "enabling the labourers to subsist and to perpetuate their race" (Ricardo). This implied that what the worker received under a wage-system was the same as what he received under slavery or serfdom—in each case enough to cover the labourer's "wear and tear." . . . It followed that if the price of necessities increased or decreased, money wages also would be bound to rise or fall before very long; and if a tax was imposed on wages, wages must rise by an equivalent amount and the burden of the tax in this way be thrown upon the employer.

This theory relied for its validity on the famous Malthusian law of population, which was widely accepted by economists and others at the beginning of the nineteenth century. In the language of later economists, it implied that the supply of labour was infinitely elastic: that this supply would always be increased indefinitely if the price offered for it rose above a certain level. If wages rose above what was necessary to maintain the supply of

¹ Marshall's theory was also less rigid, and allowed more scope for the action of trade unions than did the theories of many other economists.

labour, then workers would have larger families and the labour supply would increase. With an increased labour supply there would be more competition for the employment available, so that wages as a result would inevitably fall again. Conversely, if wages fell below the subsistence level, children would die off or never be born, and this would result in a decreased labour supply in the next generation, so that the competition of masters for the smaller number of workers would raise wages again. It was a case of mechanical equilibrium: like the pendulum of a clock, any disturbance from the "normal" position brought into play forces which would bring it back to "normal" again. Things might take some time to settle down in the equilibrium—"market price" for some time might fluctuate about "normal price"—but given sufficient time the equilibrium would be restored.

It seems not unlikely that in an early stage of a wage-system this law approximately holds. But it probably holds rather because of the continual inflow of new labour from the countryside to seek employment in the towns, as the result of village poverty, enclosures, agricultural changes and destruction of handicrafts, than of any "natural" law governing the growth of population and continually keeping wages from rising above subsistence. In the light of modern experience there is certainly no warrant for assuming that population will automatically increase as wages rise: in fact, there is some evidence that the contrary is the case. But here again the alleged connection between wages and population may be nearer to the truth when applied to workers on a very low standard of life, who because of their poverty are improvident of the future and whose families are only precluded from increase because their children die of malnutrition. . . .

Marx and the Power of Collective Bargaining. Marx in particular stressed the influence of this factor of habit and custom; and in the stress which he gave to this influence the theory in its practical implications assumed a new form. Marx followed Ricardo in thinking that the market price of labour-power could not for long depart from the value of the subsistence which the maintenance of that labour-power required, in so far as under capitalism labour-power was a commodity and its supply and its value were governed in a similar way to any other commodity. At the same time, labour-power had this difference from other commodities: it was attached to human beings; and its supply was consequently governed in a unique sense by the "historical or social element," which determined what human labourers required for a livelihood. "The value of labour," he said, "is formed by two elements—the one merely physical, the other historical or social. Its *ultimate limit* is determined by the *physical element*: that is to say, to maintain and produce itself, to perpetuate its physical existence, the working class must receive the necessities absolutely indispensable for living and multiplying. . . . Besides this mere physical element, the value of labour is in every country determined by a *traditional standard of life*." It was this latter influence which explained the differences of wages between different countries, between different periods and even between different districts in the same country. Hence, when trade unions sought by combined action to advance the level of wages, they were not fighting a losing battle against an "iron law" which would assert itself in the long run: on the contrary, their action was itself part of the "social element," and the gains which they won themselves helped to mould the "traditional standard of life" for the future. "The matter resolves itself into a question

of the respective powers of the combatants."

But while Marx stressed the influence of bargaining power, and his views have been classed under the *genus* of bargaining-theories or "force"-theories of wages, he did not depart so far from Ricardo as to treat the matter as entirely indeterminate and unpredictable. He did not suppose, for example, that it would be possible for trade union action indefinitely to raise wages and squeeze profits, so long as the capitalist wage-system existed. Much of the dominance of the classical law remained, even if its influence was powerfully refracted by the "social factor" of class conflict. Unlike Ricardo, however, Marx did not accept the Malthusian theory of population: in fact he explicitly repudiated it. Some other principle, accordingly, had to fill its place as determinant of the labour-supply. This principle was supplied by his theory of what he called "the industrial reserve army": a theory which he alternatively described as the law of "relative over-population." According to this, the supply of labour competing for jobs always tended to be kept in excess of the demand for it by a special feature of a capitalist wage-system: the special strength of the resistance that it put up in several ways to a rising level of wages. These ways included the substitution of mechanical for human labour-power, the occurrence of periodic economic crises, which brought pressure to bear on the wage-level through the resulting unemployment, and the tendency to export capital abroad where cheaper reserves of labour could be tapped.

The Wages-Fund Doctrine. Ricardo's qualification of the subsistence-theory, by which he admitted that wages might rise above the subsistence-level "for an indefinite period in an improving society," encouraged a greater emphasis to be placed on the aspect of demand. The doctrine

which provided this emphasis came to be known as the Wages-Fund doctrine; and while it represented an important shift of emphasis, it was regarded by its exponents as a development of Ricardian notions rather than an alternative to them. At this time it was common to treat capital as consisting simply of "advances of wages" to workers—that is, a sum devoted to paying wages to purchase labour-power in advance of the completion and sale of the product. Hence, it seemed natural to regard the demand for labour as being furnished by the existing stock of capital: at least, as varying directly with the accumulation of capital. The wage-level, therefore, was to be found by a simple division sum: by dividing the amount of capital (the wages-fund) that capitalists were willing to lay out in the form of wage-advances by the number of the wage-earning population seeking employment. As John Stuart Mill put it: "Wages not only depend upon the relative amount of capital and population, but cannot, under the rule of competition, be affected by anything else."

The doctrine represented, therefore, a partial retreat from the rigidity of the older view. It may, perhaps, be said to have abandoned the attempt to provide a deterministic long-term or "static" theory, and instead to have tried to explain the movement of wages in a changing world. There was no longer a single equilibrium-level to which wages must inevitably return, defined by the cost of production of labour-power: there was a changing "natural-rate" defined by the changing ratio of capital to population. True, the exponents of this theory retained belief in the Malthusian law of population; but generally (though not invariably) they were less dogmatic about its overriding influence on wages. If only the increase of population could be retarded and made to proceed at a slower pace than capital accu-

mulation, the wage-level could rise. That this could happen they were not very confident, but it was a possibility that they were no longer willing to deny.

Nevertheless, the theory was rigid enough in its own stern way. It was principally used to demonstrate the unbending corollary that bargaining power or trade union action was impotent to alter the wage-level as a whole, and that any measures which hindered the accumulation of capital (e.g. taxation of the rich to subsidise the poor) were bound to lower wages by depleting the wages-fund. The only hope of improvement for the workers lay in limiting the size of their own families and helping to increase the prosperity of their masters. For the better part of the Victorian age, this was the advice which was preached by economists to the working class and trade union leaders to show them the untutored folly of their methods. If one group of workers by legislation or trade union action secured an advance in wages, this must leave less of the wages-fund available for other workers, and so cause these others to have lower wages or to be unemployed. Conversely, if a group of workers were forced to accept an abnormally low wage, this did not really rob the working class as a whole: it merely left more of the wages-fund available to employ other groups of workpeople. Action, indeed, by trade unions or the State was more likely to have an adverse effect if it hindered the accumulation of capital or encouraged the labourers to breed faster than before. . . . It followed that if the rich were taxed or their prosperity was otherwise impaired, so much less capital would be available to give employment. . . . Charity or benevolence, whether public or private, could do nothing to alter this inexorable law of Political Economy. . . .

The Theory of Marginal Productivity.
Realisation that these qualifications were

important led economists (for the most part) towards the end of the nineteenth century to abandon the Wages-Fund doctrine and to fasten attention on a demand-theory of a less rigid type. For some economists, most notably for Marshall, this newer view represented a significant shift of emphasis in the direction of treating the demand for labour as deriving from the product of labour rather than from any pre-determined decisions made by capitalists as to the amount that they would invest. In treating circulating capital no longer as a fixed fund, but instead as a variable flow, it emphasised that any increase in the productivity of labour (whether due to a change in the efficiency of labour itself or of some other factor) would prompt a quickened flow of capital and so raise the demand for labour. But it would be unwise, I think, to over-emphasise the break with tradition that this newer view represented; and in the hands of many economists the theory of marginal productivity retained more of the essentials of the older doctrine than those who have emphasised its novel features often seem to have realised. The demand for labour, it is true, was treated, no longer as consisting in a fixed fund, but as being variable and quickly influenced by changes in labour-productivity; and the connection between this demand and changes in productivity was more precisely defined. But while allowance was made for the truths of the "economy of high wages," many of the corollaries of the older doctrine were reinforced rather than weakened: for example, it was implied that, if the demand for labour was elastic, interference to raise wages above their "natural level" (unless it was coupled with increased productivity) would have the more damaging result of causing an actual shrinkage in the funds devoted to the employment

of labour, instead of merely leaving this fund unchanged.

What chiefly contributed to the form which this new doctrine took was the increasing habit among economists in the final quarter of last century of thinking in terms of little bits of things (or increments) added or subtracted at the margin. Economists were at this time trying to explain the price of a commodity in terms of the extra utility, or satisfaction to consumers, yielded by the final or marginal unit of a given supply: given a supply of x hundred bushels of wheat, the price per bushel would measure the utility of the x -hundredth bushel to some one or other of the purchasers. It seemed to follow that the price of human labour-power could be explained in a similar way by its marginal utility to some purchaser of it. But labour did not satisfy consumers' wants directly, unless it was employed in domestic service: it only did so indirectly by turning out a product. Hence, given a certain supply of labour, its price was treated as being determined by the extra product that was yielded by the additional labour of the marginal unit of that supply. To the employer the worth of the labour-power he purchased consisted simply of the product it yielded him. In deciding what it would be worth while for him to pay to take on, say, an additional ten men, he would calculate how much would be added to the total output of his factory if he employed the additional ten. This "net product" (after allowing for any incidental expenses, such as extra raw materials involved in employing them) represented their worth to him and governed his *demand-price* for them—the amount he was willing to lay out in extra wages: the extent to which it was to his advantage to extend his "flow" of circulating capital. It followed that, given a certain supply of labour seeking employment, the competition of employers in

bidding against one another for labour would tend to make the wage equal to this "net product" that the employment of the marginal units of the supply added to total output. Above this level wages could not go without causing the marginal units of the supply to be left unemployed, since these units would "cost" more than they were "worth." Working with a fixed amount of plant and equipment, the extra product yielded by taking on more labour would generally be smaller the larger the staff of labour that was already employed: in other words, the attempt to extract more output from a given plant by employing additional labour was subject (beyond a point) to "diminishing returns." Hence, there was always a definite limit to the amount of labour that it would be worth while for a firm, an industry and a whole country to employ at a given wage with a given amount of capital and natural resources. Given the supply of capital (or, to take it a stage further back, the rates of return on their capital which investors were demanding), given the supply of natural resources, and given the state of technique and the productivity of labour: then the level of wages at which everyone could get employment was rigidly determined. If labour demanded a higher price than this, unemployment must be the result.

This was, evidently, a much subtler doctrine than any of its predecessors, and more elegantly finished; and many economists proceeded to hail it as a discovery that furnished a complete and final theory, not only of wages, but of the distribution of income in general. Professor J. B. Clark, one of its original exponents, even declared it to be a "natural law" of wages which held true independently of time and of place; and Jevons, with hint of a profound meaning in the words, spoke ambiguously of the worker receiving "the due value of his produce." It certainly

seemed final and satisfying to many to be able to say that labour's reward varied with labour's "productivity"; from which it was too often implied or presumed that wages measured what the services performed by labour were "worth" to society in some sense more fundamental than that this was the price which the market placed upon labour in a given (and possibly alterable) set of circumstances. But "productivity," "service," "worth" are ambiguous terms; and wiser opinion was aware that the theory did not by itself constitute a complete theory of wages. A reason for its incompleteness (which it shares with other demand-theories) was that it included nothing to tell one how the supply of labour was determined: this it had to assume to be a given quantity in order to find what was the marginal net product of labour. It also left many things unsaid about how the supply of capital was determined. While the theory defined more precisely the way in which wages were related to productivity, it added little to our knowledge of the complex of interacting factors on which this productivity depended. As Marshall said: "This doctrine has sometimes been put forward as a theory of wages. But there is no valid ground for any such pretension. The doctrine that the earnings of a worker tend to be equal to the net product of his work has by itself no real meaning; since in order to estimate net product, we have to take for granted all the expenses of production of the commodity on which he works, other than his wages."

It is important always to bear in mind that the "marginal net product" of labour depends, not only on the supply of labour, but also on the supply of all the other factors of production; and when this has been said, the theory is robbed of much of its apparent simplicity and finality. If labour is the relatively scarce factor, and

the others plentiful, the marginal net product of labour will be high; and competition for labour will enable it to command a high price. For example, in a new country, rich in undeveloped resources, but still thinly populated, new settlers can produce considerable wealth by the labour of their hands; but when natural resources have been more fully developed and the region becomes populous, it will generally be much less easy for new settlers unaided by capital to wring a living from the soil, and labour consequently will tend to grow cheap. Again, if capital exacts a high rate of interest and is scarce, this will be a factor tending to depress the marginal net product of labour and the level of wages, particularly if the number of persons willing to work for a pittance is plentiful. Moreover, the efficiency with which industry is organised will also affect the productivity of labour; as will the existing state of technique, which will determine how dispensable or indispensable human labour-power is—how easily mechanical power can be substituted for it—and the distribution of consumers' demand between different products—between goods which require much labour to produce them and goods which require little. The marginal net product of labour will depend upon all these things as well as upon the intrinsic efficiency of labour itself; almost any change, indeed, in the price of anything else is likely in some measure, large or small, to affect it.

Marshall and Supply and Demand. Marshall, who was more alive than many economists to the complexity of the economic world, where all things are subject to "mutual interaction," attempted to provide a synthetic view, in which the forces which affected the supply of labour and the forces which affected the demand for labour were combined. On the whole, the theory which he reached was less rigidly

deterministic than the traditional doctrines: for example, it allowed some scope to the influence of collective bargaining by trade unions on wages, through its effect not only on the efficiency, but also on the "supply-price" of labour.

We have seen that the employers' demand for labour is dependent on a number of things. A principal thing on which it will be dependent will be the supply of capital—on how plentiful and cheap it is for the existing or prospective business man to raise. Marshall regarded this supply as being determined over a period of time by the ability and willingness of investors to divert their income from immediate consumption and to save and invest it instead. At any one instant of time, it is true, the capital available is a fixed amount dependent on the actions of investors in the past; but it is a stock which in the course of time can be added to or reduced by investors in adding new savings to it or in diverting part of the stock to swell their current expenditure. But while this stock of capital is elastic over a period of time, it remains elastic only within certain limits. These limits are set by the preference which investors have for spending money at once rather than putting it by to bring in an income in the future. Most people, except misers, it is said (though some have disputed it), prefer to have £100 to spend now than the promise of £101 in a year's time, perhaps than the promise of £105 or £106 in a year's time, even if this promise is absolutely trustworthy and certain to be kept. This preference for present joys has been termed their "time-preference" or their "discount of the future"; and represents what Marshall considered to be the sacrifice involved in "waiting" or saving. This "cost" involved in saving will act as a brake on the flow of capital into industry, and, when expressed in terms of the sum of money necessary to over-

come this reluctance on the part of investors, will constitute the "supply-price" of capital. This "supply-price" necessary to overcome the resistance to saving or waiting, and to attract capital into industry, will generally be greater for a large than for a small annual supply of savings: indeed, it may be very low for a small amount of new capital, since the rich might save part of their income which they could not find ways of spending, even if they were to receive little or no return on it when invested. The supply-prices of different quantities of new capital (of differently sized additions to the stock) can, therefore, be expressed in what Marshall called a "schedule of supply-prices," or a supply-curve—a curve linking up the different supply-prices of different amounts. If one wished to contrast this view with the Wages-Fund doctrine, one could say that a supply-schedule of this type defined the limits within which the Wages-Fund might vary in the course of time; but that it treated this fund as being elastic, expanding year by year under the influence of a bright prospect of profit by drawing to itself a larger proportion of the investors' incomes, and contracting if the prospect of profit was sufficiently poor.

With regard to the supply of labour, Marshall apparently considered that analogous conditions applied. While he was cautious in his statements concerning the supply of labour *in general*, as distinct from the supply of labour of a particular type, it seems clear that he regarded this as being elastic in some measure—as changing in response to changes in the wage-level—even though this elasticity was very much smaller than the older economists had imagined. The wage-level would, then, tend to be determined by the two sets of forces which defined the conditions of demand for labour and the conditions of its supply; and under com-

petition wages would have a long-run tendency to be at that level where the marginal net product of the available labour-supply was equal to its marginal supply-price. Yet "wages are not governed by demand-price, nor by supply-prices, but by the whole set of causes which govern demand and supply."

THE SUPPLY OF LABOUR

Whether the supply of labour to industry in general (as distinct from one particular trade or locality) varies directly with changes in the wage-level has been the subject of considerable discussion. The phrase "the supply of labour" can, of course, be used in a number of senses. First, it may be applied to the *number of workers* seeking employment. This will vary, not only with the total population, but with the proportion of the population which it proletarianised or without an alternative livelihood, and so is driven by circumstances into the labour market to seek employment for wages. Secondly, it may include the *number of hours* which each worker is willing to work, so that a unit of labour is treated as consisting of a "man-hour" of work, and the supply of labour as being increased by any increase in the length of the working day or the working week. Thirdly, it may be stretched to include the *intensity of work*, so that a unit of labour becomes some unit expressing the energy-output of work, and the supply of labour is regarded as being increased when workers work harder than before. On the other hand, changes in the *skill* with which work is applied, as distinct from changes in the intensity of work (in so far as a line can be drawn between them) seem better treated as affecting the quality of labour rather than its amount.

At first sight it would appear that the higher are wages, the greater will be the ability and the inducement to work, and

hence the greater the supply of labour must be; and *vice versa*. But there is a crucial consideration which operates in the other direction; namely, that the reason . . . for so large a section of the population coming into the labour market and hiring themselves for wages lies in their poverty—in their absence of an alternative livelihood. The poorer is the wage-earning class, and the smaller any reserve that workers have to fall back upon, the cheaper the price at which they are willing to sell their labour-power; and *vice versa*. The lower the income which people have, the higher the valuation they put on each additional shilling; or the more they are willing to do in order to obtain an extra shilling: in other words, the lower is the supply-price of their labour in terms of money or of anything else.¹ The influence of this factor may well be powerful enough to make the relation between the wage-level and the supply of labour, . . . the opposite of what at first sight might be supposed. A fall in wages may mean an increase in the supply of labour in three ways: it may force a larger number of women and young workers to seek employment under pressure of poverty, and it may bring pressure on existing wage-earners to work longer hours or to increase the intensity of work. This process will, of course, have its limit: for example, if the length and intensity of work are pushed beyond a certain point, it may

¹ This is to say that the "marginal utility of income" will be high or low according to the size of the income received. It is a matter of convenience, rather than of principle, whether this is expressed in the form of a single supply-curve which slopes *back*, or in a series of movements of the whole supply-curve to new positions as the marginal utility of income changes. For purposes of statistical study of concrete data the former is the more serviceable; but for purposes of analysing the separate causes of change, the latter is the more convenient, and the distinction implied by it between the two kinds of movement of supply is important.

exert such an influence on health and in shortening the working-life of the average worker as to react thereby in a reduction of the labour-supply in the course of time. Conversely, a rise in wages may encourage workers to take out part of the benefit in increased leisure or more leisurely methods of work rather than in increased earnings. As we have seen there is also evidence that a change in the wage-level may react in a similar way on the total population, through its influence on the birth rate, at least where knowledge of birth-control methods is widely diffused.

SIDNEY and BEATRICE WEBB¹

The Higgling of the Market

It is often taken for granted that the higgling of the market, in which the workman is interested, is confined to the negotiation between himself and his employer. But the share of the aggregate product of the nation's industry which falls to the wage-earners as a class, or to any particular operative—notably the division of that portion which may be regarded as the "debatable land"—depends not merely on the strength or weakness of the workman's position towards the capitalist employer, but also on the strategic position of the employer towards the wholesale trader, that of the wholesale trader towards the shopkeeper, and that of the shopkeeper towards the consumer. The higgling of the market, which, under a system of free competition and Indi-

vidual Bargaining, determines the conditions of employment, occurs in a chain of bargains linking together the manual worker, the capitalist employer, the wholesale trader, the shopkeeper, and the customer. . . .

We begin with the bargain between the workman and the capitalist employer. We assume that there is only a single situation vacant and only one candidate for it. When the workman applies for the post to the employer's foreman, the two parties to the bargain differ considerably in strategic strength. There is first the difference of alternative. If the foreman, and the capitalist employer for whom he acts, fail to come to terms with the workman, they may be put to some inconvenience in arranging the work of the establishment. They may have to persuade the other workmen to work harder or to work overtime; they may even be compelled to leave a machine vacant, and thus run the risk of some delay in the completion of an order. Even if the workman remains obdurate, the worst that the capitalist suffers is a fractional decrease of the year's profit. Meanwhile, he and his foreman, with their wives and families, find their housekeeping quite unaffected; they go on eating and drinking, working and enjoying themselves, whether the bargain with the individual workman has been made or not. Very different is the case with the wage-earner. If he refuses the foreman's terms even for a day, he irrevocably loses his whole day's subsistence. If he has absolutely no other resources than his labor, hunger brings him to his knees the very next morning. Even if he has a little hoard, or a couple of rooms full of furniture, he and his family can only exist by the immediate sacrifice of their cherished provision against calamity, or the stripping of their home. Sooner or later he must come to terms, on pain of starvation or the workhouse. And since

¹ Sidney and Beatrice Webb, *Industrial Democracy*, 1920. ed., Longmans, Green and Company, Ltd., London, 1926, by permission of the executors of the late Lord Passfield, pp. 654-65, 673-74, 676-77, 692-93.

success in the higgling of the market is largely determined by the relative eagerness of the parties to come to terms—especially if this eagerness cannot be hid—it is now agreed, even if on this ground alone, “that manual laborers as a class are at a disadvantage in bargaining.”

But there is also a marked difference between the parties in that knowledge of the circumstances which is requisite for successful higgling. “The art of bargaining,” observed Jevons, “mainly consists in the buyer ascertaining the lowest price at which the seller is willing to part with his object, without disclosing, if possible, the highest price which he, the buyer, is willing to give. . . . The power of reading another man’s thoughts is of high importance in business.” Now the essential economic weakness of the isolated workman’s position, as we have just described it, is necessarily known to the employer and his foreman. The isolated workman, on the other hand, is ignorant of the employer’s position. Even in the rare cases in which the absence of a single workman is seriously inconvenient to the capitalist employer, this is unknown to any one outside his office. What is even more important, the employer, knowing the state of the market for his product, can form a clear opinion of how much it is worth his while to give, rather than go without the labor altogether, or rather than postpone it for a few weeks. But the isolated workman, unaided by any Trade Union official, and unable to communicate even with the workmen in other towns, is wholly in the dark as to how much he might ask.

With these two important disadvantages, it is comparatively a minor matter that the manual worker is, from his position and training, far less skilled than the employer or his foreman in the art of bargaining itself. This art forms a large part of the daily life of the entrepreneur,

whilst the foreman is specially selected for his skill in engaging and superintending workmen. The manual worker, on the contrary, has the very smallest experience of, and practically no training in, what is essentially one of the arts of the capitalist employer. . . .

Thus, in the making of the labor contract the isolated individual workman, unprotected by any combination with his fellows, stands in all respects at a disadvantage compared with the capitalist employer. There is an even more serious disadvantage to come. The hiring of a workman, unlike a contract for the purchase of a commodity, necessarily leaves many conditions not precisely determined, still less expressed in any definite form. This indeterminateness of the labor contract is in some respects a drawback to the employer. In return for the specified wage, the workman has impliedly agreed to give work of the currently accepted standard of quantity and quality. The lack of definiteness in this respect leaves him free to skulk or to scamp. But against this the employer protects himself by providing supervision and by requiring obedience to his foreman, if not also by elaborate systems of fines and deductions. Whenever there is any dispute as to the speed of work, or the quality of the output, the foreman’s decision is absolute. To the workman, however, the indeterminateness of his contract is a far more fruitful source of personal hardship, against which he has no practicable remedy. When an additional “hand” is taken on in a manufacturing establishment, practically the only point explicitly agreed upon between him and the foreman is the amount of the weekly wage, or possibly the scale of piece-work rates. How many hours he shall work, how quickly or how intensely he is to exert himself, what intervals will be allowed for meals, what fines and deductions he will be sub-

ject to, what provision is made for warmth and shelter, the arrangements for ventilation and prevention of accidents, the sanitary accommodation, the noise, the smell and the dirt, the foreman's temper and the comrades' manners—all this has to be taken for granted, it being always implied in the engagement that the workman accepts the conditions existing in the employer's establishment, and obeys all his lawful commands. It may be urged that, if the conditions are worse than is customary, the workman will not accept the situation, unless he is offered higher wages. But until he has made his contract and actually begun work, he cannot know what the conditions are, even if he could estimate their disadvantage in terms of money, and stand out for the higher price. Moreover, unless fixed by law or Collective Bargaining, these conditions may at any moment be changed at the will of the employer, or the caprice of the foreman. Thus, when the isolated workman has made his bargain, he has no assurance that it will be adhered to, as regards any element other than the money wage, and even this may be eaten into by unforeseen fines and deductions. On all the other conditions of employment he is, under an unregulated industrial system, absolutely in the hands of the employer for the period of his engagement. The workman may, indeed, give up his situation, and throw himself again on the market, to incur once more the risk of losing his subsistence whilst seeking a new place, and to suffer afresh the perils of Individual Bargaining; but even if he makes up his mind rather to lose his employment than to put up with intolerable conditions, he is not legally free to do so without proper notice, and for his sufferings during this period he has no redress.

Such are the disadvantages at which, when the labor market is in a state of perfect equilibrium, the isolated individ-

ual workman stands in bargaining with the capitalist employer. But it is, to say the least of it, unusual, in any trade in this country, for there to be no more workmen applying for situations than there are situations to be filled. When the unemployed are crowding round the factory gates every morning, it is plain to each man that, unless he can induce the foreman to select him rather than another, his chance of subsistence for weeks to come may be irretrievably lost. Under these circumstances bargaining, in the case of isolated individual workmen, becomes absolutely impossible. The foreman has only to pick his man, and tell him the terms. Once inside the gates, the lucky workman knows that if he grumbles at any of the surroundings, however intolerable; if he demurs to any speeding-up, lengthening of the hours, or deductions; or if he hesitates to obey any order, however unreasonable, he condemns himself once more to the semi-starvation and misery of unemployment. For the alternative to the foreman is merely to pick another man from the eager crowd, whilst the difference to the employer becomes incalculably infinitesimal.

And it is a mistake to suppose that the workman's essential disadvantages in bargaining disappear in times of good trade, or even when employers are complaining of a scarcity of hands. The workman, it is true, need not then fear starvation, for he may rely on finding another employer. But if he refuses the first employer's terms, he still irrevocably loses his day's subsistence, and runs a risk of seeing subsequent days pass in the same manner. Moreover, the tramp after another employer may often mean the breaking up of his home, removal from his friends, dislocation of his children's education, and all the hundred and one discomforts of migration or exile. The employer, on the other hand, will be induced to offer higher terms,

rather than run the risk of foregoing some part of the increased profits of brisk times. But the extent of the "debatable land" is, in these times of high profits, enormously increased, and no one but the employer himself knows by how much. Here the difference in the knowledge of the circumstances becomes all-important, and fatally disadvantageous to the isolated workman. The employer knows about what other firms have been paying for their labor, and to what extent there is a real scarcity of workmen; hence he can judge how little he need offer to make his place seem worth accepting to the unemployed workman. The isolated workman, on the other hand, has no knowledge whether the scarcity of labor extends beyond his own town, or is likely to be prolonged; whilst he has not the slightest idea of how much he might stand out for, and yet be taken on. In short, it would be easy to argue that, in spite of the actual rise of his wages in times of good trade, it is just when profits are largest that the isolated workman stands at the greatest economic disadvantage in the division of the "debatable land."

PRESSURE ON THE EMPLOYER

So far the argument that the isolated workman, unprotected by anything in the nature of Trade Unionism, must necessarily get the worst of the bargain, rests on the assumption that the capitalist employer will take full advantage of his strategic strength, and beat each class of wage-earners down to the lowest possible terms. In so far as this result depends upon the will and intention of each individual employer, the assumption is untrue. A capitalist employer who looks forward, not to one but to many years' production, and who regards his business as a valuable property to be handed down from one generation to another, will, if only for his own sake, bear in mind the probable

effect of any reduction upon the permanent efficiency of the establishment. He will know that he cannot subject his workpeople to bad conditions of employment without causing them imperceptibly to deteriorate in the quantity or quality of the service that they render. As an organiser of men, he will readily appreciate to how great an extent the smooth and expeditious working of a complicated industrial concern depends on each man feeling that he is being treated with consideration, and that he is receiving at least as much as he might be earning elsewhere. But apart from these considerations of mere self-interest, the typical capitalist manufacturer of the present generation, with his increasing education and refinement, his growing political interests and public spirit, will, so long as his own customary income is not interfered with, take a positive pleasure in augmenting the wages and promoting the comfort of his workpeople. Unfortunately, the intelligent, far-sighted, and public-spirited employer is not master of the situation. Unless he is protected by one or other of the dykes or bulwarks presently to be described, he is constantly finding himself as powerless as the workman to withstand the pressure of competitive industry. How this competitive pressure pushes him, in sheer self-defence, to take as much advantage of his workpeople as the most grasping and short-sighted of his rivals, we shall understand by examining the next link in the chain.

Paradoxical as it may appear, in the highly-developed commercial system of the England of today the capitalist manufacturer stands at as great a relative disadvantage to the wholesale trader as the isolated workman does to the capitalist manufacturer. In the higgling of the market with the wholesale trader who takes his product, the capitalist manufacturer exhibits the same inferiority of strategic

position with regard to the alternative, with regard to knowledge of the circumstances, and with regard to bargaining capacity. First, we have the fact that the manufacturer stands to lose more by failing to sell his product with absolute regularity, than the wholesale trader does by temporarily abstaining from buying. To the manufacturer, with his capital locked up in mills and plant, continuity of employment is all-important. If his mills have to stop even for a single day, he has irrevocably lost that day's gross income, including out-of-pocket expenses for necessary salaries and maintenance. To the wholesale trader, on the other hand, it is comparatively a small matter that his stocks run low for a short time. His unemployed working-capital is, at worst, gaining deposit interest at the bank, and all he foregoes is a fraction of his profits for the year. Moreover, as the wholesale trader makes his income by a tiny profit per cent on a huge turnover, any particular transaction is comparatively unimportant to him. The manufacturer, earning a relatively large percentage on a small turnover, is much more concerned about each part of it. In short, whilst the capitalist manufacturer is "a combination in himself" compared with the thousand workmen whom he employs, the wholesale trader is "a combination in himself" compared with the hundreds of manufacturers from whom he buys. The disparity is no less great with regard to that knowledge of the market which is invaluable in bargaining. The manufacturer, even if he has a resident agent at the chief commercial centre, can never aspire to anything like the wide outlook over all the world, and the network of communications from retail traders and shipping agents in every town, which make up the business organisation of the wholesale trader. The trader, in short, alone possesses an up-to-date knowledge of the market in all its aspects;

he alone receives the latest information as to what shopkeepers find most in demand, and what native and foreign manufacturers are offering for sale. With all this superiority of knowledge, it is a minor matter that, as compared with the manufacturer, immersed in the organisation of labor and the improvement of technical processes, the wholesale trader is a specialist in bargaining, trained by his whole life in the art of buying in the cheapest and selling in the dearest market.

Thus, when the manufacturer negotiates for an order, he is, within certain undefined limits, at the mercy of the wholesale trader. He is told that the price of his product is too high to attract customers; that the shopkeepers find no demand for it; that foreign producers are daily encroaching on the neutral markets; and finally, that there has just come an offer from a rival manufacturer to supply the same kind of article at a lower price. The manufacturer may doubt these statements, but he has no means of disproving them. He is keenly alive to the fact that his brother manufacturers are as eager as he is to get the order, and some of them, he knows, are always striving to undercut prices. Unless he is a man of substance, able to wait for more profitable orders, or unless his product is a speciality of his own, which no one else makes, he is almost certain to be tempted, rather than lose the business, to accept a lower offer than he meant to. The price he has accepted can only work out in a profit by some lowering of the cost of production. He consults his partners and his foreman as to how this can be effected. Some slight improvement may be possible in the technical process, or a new machine may be introduced. But this takes both time and capital. If neither law nor combination stands in the way, it is far easier to meet the emergency by extracting more work from his operatives for the same pay—by

"speeding-up," by lengthening hours, by increased rigor in respect of fines and deductions, or by a positive reduction of time wages or piecework rates. Any idea of introducing better sanitary accommodation or further fencing of machinery is given up, and all the working expenses are reduced to their lowest limit. Whatever reluctance the good manufacturer may have to take this course necessarily disappears when he finds his more necessitous or less scrupulous rivals actually forestalling him. For just as in every trade there are far-sighted and kindly disposed employers who feel for their workpeople as for themselves, so there are others in whom the desire for personal gain is the dominating passion, and whose lack of intelligence, or financial "shadiness," shuts them out from any other policy than "grinding the faces of the poor." The manufacturer of this type needs no pressure from the wholesale trader to stimulate him to take the fullest possible advantage of the necessities of his workpeople; and in face of competition of this kind the good employer has no choice but to yield. Anything, he says to himself, is better for his workpeople than stopping his own mill and driving the trade into such channels. . . .

Such, then, is the general form of the industrial organisation which, in so far as it is not tampered with by monopoly or collective regulation, grows up under "the system of natural liberty." The idea of mutual exchange of services by free and independent producers in a state of economic equality results, not in a simple, but in a highly complex industrial structure which, whether or not consistent with any real Liberty, is strikingly lacking in either Equality or Fraternity. What is most obvious about it is, not any freedom in alternatives enjoyed by the parties concerned, but the general consciousness of working under pressure felt by every class

of producers. At each link in the chain of bargainings, the superiority in "freedom" is so over-whelmingly on the side of the buyer, that the seller feels only constraint. This freedom of the purchaser increases with every stage away from the actual production, until it culminates in the anarchic irresponsibility of the private customer, "free" alike from all moral considerations as to the conditions of employment, and from any intelligent appreciation of the quality of the product. On the other hand, the impulse for cheapness, of which the consumer is the unconscious source, grows in strength as it is transmitted from one stage of bargaining to another, until at last, with all its accumulated weight, it settles like an incubus on the isolated workman's means of subsistence. . . .

SELLERS EXERCISE PRESSURE

So far we have mainly concerned ourselves with tracing the stream of pressure to its origin in the private customer. Now we have to consider the equally important fact that, as each class of producers becomes conscious of this pressure, it tries to escape from it, to resist or to evade it. All along the stream we discover the inhabitants of the "debatable land" raising bulwarks or dykes, sometimes with a view of maintaining quiet backwaters of profit for themselves, sometimes with the object of embanking their Standard of Life against further encroachments. It is in this deliberate resistance to a merely indiscriminate pressure that we shall find, not only the scope of the Methods and Regulations of Trade Unionism by which certain sections of the wage-earners protect and improve the conditions of their employment, but also the fundamental reason for the analogous devices of the other producing classes—the trade secrets, patents and trade

marks, the enormous advertising of specialties, the exclusive franchises or concessions, the capitalist manufacturer's struggle to supersede the trader, and the trader's backstair effort to do without the capitalist manufacturer, together with all the desperate attempts to form rings and trusts, syndicates and "alliances"—by one or other of which is to be explained the perpetual inequality in the profits of contemporary industry, and the heaping up of fortunes in particular trades. . . .

Amid all the capitalist devices that we have described, the workmen's efforts to protect themselves against the full stream of competitive pressure will seem comparatively modest. Unlike the promoters of great capitalist undertakings, no section of the wage-earners can nowadays secure from Parliament any exclusive right to perform a certain service. Unlike the owner of a newly invented machine, a workman cannot even retain a legal monopoly of the most ingenious improvement that he may make in his own share of the productive process, for no country grants a patent to the inventor of a new trick of manual dexterity—perhaps only a novel way of using the fingers—which enormously increases the productivity of industry. Nor can even the most skilled manual laborer in our time assure to himself, like the advertiser of a specialty, or of a legally secured trade mark, the faithful custom of a large body of distant private consumers. And the fact that the wage-earners form the base of the industrial pyramid, and have no weaker class below to whom they can transfer the pressure, shuts them out from such evasions of the stream as we have seen to profit the wholesale clothier. All these dykes and bulwarks are, and must necessarily remain, the exclusive possession of the owners of capital.

J. R. HICKS¹

Marginal Productivity and the Demand for Labour

The theory of the determination of wages in a free market is simply a special case of the general theory of value. Wages are the price of labour; and thus, in the absence of control, they are determined, like all prices, by supply and demand. The need for a special theory of wages only arises because both the supply of labour, and the demand for it, and the way in which demand and supply interact on the labour market, have certain peculiar properties, which make it impossible to apply to labour the ordinary theory of commodity value without some further consideration.

The demand for labour is only peculiar to this extent: that labour is a factor of production, and is thus demanded (as a general rule) not because the work to be done is desired for and by itself, but because it is to be used in the production of some other thing which is directly desired. Personal services are indeed an exception to this rule; but apart from this exception, the demand for labour is a derived demand, and the special properties of derived demand may thus reasonably be considered a part of the general theory of wages. It is true that these properties are important, not only in the theory of wages, but also in other departments of economics; most of what has to be said about the demand for labour applies equally to the demand for other factors of production. Yet the matter is so im-

¹ From J. R. Hicks, *The Theory of Wages*, by permission of The Macmillan Company, publishers, London, 1935, pp. 1-19.

portant for an understanding of wages that it has to be given serious attention here. . . .

The interaction of supply and demand on the labour market is a problem which will have to occupy a good deal of our attention. All buying and selling have some features in common; but nevertheless differences do exist between the ways in which things are bought and sold on different markets. Organised produce markets differ from wholesale trade of the ordinary type; both of these differ from retail trade, and from sale by tender or by auction. The labour market is yet another type. It has been the usual practice of economists to concentrate their attention on those features of exchange which are common to all markets; and to dismiss the differences between markets with a brief reminder that markets may be more or less "perfect." There is little doubt that in doing so they did seize on the really significant thing; the general working of supply and demand is a great deal more important than the differences between markets. But this course meant the almost complete neglect of some factors which appear at first sight very important indeed; the fact that they are really less important than those aspects which were discussed was rarely demonstrated clearly.

When an attempt is made to apply to the labour market the ordinary principles of price determination—without making allowance for the type of market—the result appears at first sight very odd. Wages, say the text-books, tend to that level where demand and supply are equal. If supply exceeds demand, some men will be unemployed, and in their efforts to regain employment they will reduce the wages they ask to that level which makes it just worth while for employers to take them on. If demand exceeds supply, employers will be unable to obtain all the

labour they require, and will therefore offer higher wages in order to attract labour from elsewhere.

Now this, as I hope to make abundantly clear, is quite a good simplified model of the labour market. So far as general tendencies are concerned, wages do turn out on the whole very much as if they were determined in this manner. It is therefore not in the least surprising if valuable results have been attained by this sort of reasoning. . . .

The problems of the nature of the market are almost entirely problems of change. If no one was ever dismissed, and if no one ever had an incentive to change his employment, there would be no problem here. And this suggests a way by which we can postpone consideration of these questions—just as we decided above to postpone the problem of labour supply. We can begin by confining our attention to a labour market in equilibrium. Let us suppose that a level of wages is fixed so that demand and supply balance, and thus there is no tendency for wages to rise or to fall. Let us suppose, further, that this balancing of demand and supply is brought about, not by compensating fluctuations of the demand from particular firms, but by the demand from each firm being stationary, because no employer has any incentive to vary the number of men he takes on. It is necessary for us to adopt this abstract and rigorous conception of equilibrium, since otherwise we should not be effectively ruling out the difficulties of change, but should still be faced with very much the same kind of problem which confronts us in the case of a rise or fall in wages.

We have thus to examine the conditions of full equilibrium in the labour market, assuming the supply of labourers given, and their efficiencies given and equal. This enables us finally to isolate the pure problem of demand. It is true that we only

achieve this isolation at the expense of a series of highly artificial assumptions; but in economics, as in other sciences, abstraction is usually the condition of clear thinking. The complications created by the things we have left out can be reintroduced later.

CONDITIONS OF EQUILIBRIUM

The first of the necessary conditions of equilibrium is that every man should receive the same wage—subject at any rate to allowances for “other advantages” and possibly for costs of movement (but these things also we neglect at present). If wages are not equal, then it will clearly be to the advantage of an employer who is paying a higher level of wages to dismiss his present employees, and to replace them by other men who had been receiving less. If he offers a wage somewhere between the two previously existing levels, he will both lower his own costs (and consequently improve his own situation) and successfully attract the new men, since he is offering them a higher wage than they received before. So long as such transfers can be made advantageously to both parties entering upon the new contract, there is no equilibrium; since someone can always disturb it to his own advantage. Equal wages are a necessary condition of equilibrium in a market governed by our present assumptions.

The second condition is much more critical. The only wage at which equilibrium is possible is a wage which equals the value of the marginal product of the labourers. At any given wage it will pay employers best to take on that number of labourers which makes their marginal product—that is to say, the difference between the total physical product which is actually secured and that which would have been secured from the same quantity of other resources if the number of labourers had been increased or diminished

by one—equal in value to the wage. In this way the demand for labour of each employer is determined; and the total demand of all employers is determined from it by addition. Since in equilibrium it is necessary that the total demand should equal the total supply, the wage must be that which just enables the total number of labourers available to be employed. This must equal the value of the marginal product of the labourers available.

The conventional proof of the marginal productivity proposition is simple enough. It follows from the most fundamental form of the law of diminishing returns that an increased quantity of labour applied to a fixed quantity of other resources will yield a diminished marginal product. Thus if the employer were to take on a number of labourers so large that their marginal product was not worth the wage which has to be paid, he would soon find that the number was excessive. By reducing the number he employed, he would reduce his total production, and therefore (under competitive conditions) his gross receipts. But at the same time he would reduce his expenditure; and since the wage was higher than the marginal product, he would reduce his expenditure more than his receipts, and so increase his profits. Similarly, he would not reduce his employment of labour to such a point as would make the wage less than the marginal product; for by so doing he would be reducing his receipts more than his expenditure, and so again diminishing his profits. The number of labourers which an employer will prefer to take on is that number which makes his profits a maximum, and that number is given by the equality of wages to the marginal product of the labour employed.

It is thus clear that the wage at which equilibrium is possible will vary in the opposite direction to changes in the total

number of labourers available. If the number of labourers available on the market had been larger, the wage must have been lower; since the additional product secured by the employment of one of these extra labourers would be worth less than the previously given wage, and consequently it would not pay to employ these men unless the wage-level was reduced. If the number had been less, employers would have had an incentive to demand more labourers at the given wage than would actually have been available, and their competition would therefore force up the level of wages. The only wage which is consistent with equilibrium is one which equals the value of the marginal product of the available labour.

This "Law of Marginal Productivity" is regarded by most modern economists as the most fundamental principle of the theory of wages. . . .

When an entrepreneur has to choose between two different methods of producing a given output, he may be expected to choose that which costs least. For, at any rate in the first place, anything which reduces his costs will raise his profits. If employers are not using the cheapest method of production available to them, they have an incentive to change; and so there is no equilibrium.

It is this condition of minimum cost of production per unit of output which leads us directly to the law of marginal productivity. For if we suppose the prices of all the factors of production to be given, the "least cost" combination of factors will be given by the condition that the marginal products of the factors are proportional to their prices. If the

$$\frac{\text{marginal product of factor A}}{\text{price of A}}$$

is greater than

$$\frac{\text{marginal product of B}}{\text{price of B}}$$

then this means that it will be to the advantage of the entrepreneur to use a method of production which uses a little more of A and a little less of B, since in that way he will get a larger product for the same expenditure, or (what comes to the same thing) he will get an equal product at a lower cost.

This condition of the proportionality of marginal products is simply another means of expressing the necessity that the method employed in a position of equilibrium should be the cheapest method of reaching the desired result. No new principle whatever is introduced; so that in practical applications we can work with the condition of minimum cost, or with the condition of the proportionality of marginal products—whichever seems more significant in the particular case.

It must, however, be observed that the above condition only states that the marginal products are proportional to the prices of the factors—it does not say that the prices *equal* the values of the marginal products. So far as the choice of methods of production is concerned, it appears that the prices of the factors might exceed, or all fall short of, the values of the marginal products—so long as they do it in the same proportion. But if this were to be the case, it would be possible for the entrepreneur to increase his profits by expanding or contracting production without changing his methods. The condition of equality between price and cost of production would not be satisfied.

When we allow for the variability of methods of production, there is thus another way in which changes in wages may affect the demand for labour. A rise in wages will make labour expensive relatively to other factors of production, and will thus encourage entrepreneurs to use methods which employ less labour and more of these other factors. And this evidently applies in exactly the same way to

industry as a whole, as it does to particular industries. The more extensive the rise in wages, the more substitution will take place. For exactly the same reason, a fall in wages will lead to substitution in the reverse direction.

The law of marginal productivity, in its usual form, is simply a convenient means whereby the statement of the two tendencies we have been discussing can be combined. On the one hand, the returns to other resources than labour tend to equality in their different applications (the tendency which alone is taken account of in the formulation of "net productivity"); on the other hand, employers can modify the methods which they employ in their businesses, and the relative profitability of different methods depends on the relative prices of the factors of production. For some purposes it is convenient to use the conventional formulation, which brings together the two tendencies, and enables us to manipulate them together; but for a good many other purposes it is convenient to treat them separately.

There can be no full equilibrium unless the wages of labour equal its marginal product; since, if this equality is not attained, it means that someone has open to him an opportunity of gain which he is not taking. Either employers will be able to find an advantage in varying the methods of production they use, or investors and other owners of property will be able to benefit themselves by transferring the resources under their control from one branch of production to another. But we cannot go on from this to conclude that this equality of wages and marginal products will actually be found in practice; for the real labour market is scarcely ever in equilibrium in the sense considered here. In actual practice changes in methods are continually going on; and resources are continually being transferred

from one industry to another, or new resources being put at the disposal of industry, which are not uniformly distributed among the various branches of production. This ceaseless change is partly a consequence of changes in the ultimate determinants of economic activity—those things which we have to take as the final data of economic enquiry—changes in tastes, changes in knowledge, changes in the natural environment, and in the supply and efficiency of the factors of production generally. As these things change, so the marginal product of labour changes with them; and these changes in marginal productivity exert pressure, in one direction or the other, upon the level of wages.

RICHARD A. LESTER¹

Shortcomings of Marginal Analysis for Wage-Employment Problems

The practical and technical difficulties involved in attempting to apply the marginal analysis to wage-employment matters deserve more attention than can be given them here. This discussion only indicates some of the problems involved in shifting the proportion of factors in manufacturing plants or in calculating the marginal contributions of factors, and, at the same time, points to certain disturbing data.

There is a lack of good case material on the redistribution of factors purely in

¹ By permission from Richard A. Lester, "Shortcomings of Marginal Analysis for Wage-Employment Problems," *American Economic Review*, March, 1946.

response to increases or decreases in wage rates. The very existence of unused plant capacity indicates that it is not feasible to substitute capital equipment for labor; otherwise that would have been done because the use of such idle equipment is practically "costless" in view of the fact that fixed charges on it cannot be avoided.

Most industrial plants are designed and equipped for a certain output, requiring a certain work force. Often effective operation of the plant involves a work force of a given size. Certain techniques of production, allowing little variation in the use of labor, may be the only practical means of manufacturing the product. Under such circumstances, management does not and cannot think in terms of adding or subtracting increments of labor except perhaps when it is a question of expanding the plant and equipment, changing the equipment, or redesigning the plant. The flexibility of many plants is, however, extremely limited, especially those designed for early stages of manufacturing, such as the smelting, refining, compounding, and rolling of materials.

From much of the literature the reader receives the impression that methods of manufacture readily adjust to changes in the relative costs of productive factors. But the decision to shift a manufacturing plant to a method of production requiring less or more labor per unit of output because of a variation in wages is not one that the management would make frequently or lightly. Such action involves the sale (at a loss?) of existing facilities not usable under the new method and the purchase of new facilities and equipment to replace those discarded, to say nothing of retraining workers and re-adapting the whole organization. Such new investment presumably would not be undertaken simply to reduce a current and expected net loss, or if there was a likelihood that the wage change would

only be temporary or that the cost relationships between factors would be considerably altered again in the near future.

Those who argue for wage reductions on the grounds that a certain relationship exists between wage rates and employment tend to overlook the fact that a shift to less capitalistic or more labor-consuming methods may be impractical not only for reasons given above but also because the skilled workers necessary to operate the antiquated equipment are no longer available. Indeed, as Randall Hinshaw points out, writers who believe a wage reduction will tend to stimulate new investment often appear to assume that the investment will be in the form of the most up-to-date equipment, which would require less rather than more labor per unit of output. That, of course, would be contrary to what one might expect from marginal analysis.

That industry does not adapt its plants and processes to varying wage rates in the manner assumed by marginalists seems to be indicated by data recently collected by the author. Executives of 112 firms with plants in both the North and the South were asked in January, 1945, the following question: "Have lower wages in the South *themselves* caused your company to use production techniques or methods in its Southern plant(s) that require more labor and less machinery than the proportions of labor to machinery used in its Northern plant(s)?" Of 44 replies, one was vaguely affirmative, one was indefinite, and 42 answered "no." Of the 42, a total of 35 stated that, for all comparable jobs, average wages in their Southern plants were below the average for their Northern plants. On that basis, the wages in the Southern plants averaged per firm from 5 to 30 per cent below the Northern plants, with the average North-South differential for all 35 firms at 15 per cent. Those 35 replying firms represent a wide

variety of industries and had a total of over half a million employees in 150 plants in the South and 491 plants in the North. Some of them stated that the existence of lower wages in the South did not influence the type of machinery installed nor the processes used there, that "the most efficient equipment available" is used in every plant regardless of location or relative wage levels.

The sample probably contains offsetting biases: in favor of concerns in a good position to make close comparative cost calculations and in favor of large firms with relatively low labor-to-total costs ratios. Nevertheless, it should be pointed out that included in the 35 concerns are 15 in industries that, on the average, have labor costs amounting to 25 to 40 per cent of total production costs and 11 that were paying wage rates in the South from 20 to 30 per cent below their comparable Northern rates. Surely, if wage rates were as important in determining the proportion of factors or a firm's employment as the textbooks imply, the completely negative results from this test would not have been possible.

A TNEC study of wage rates, labor costs, and technological change in two shoe companies, two paper companies, two mills of a textile company, and plants of the International Harvester Company in the 1930's indicated that increases in wage rates were not the most important or decisive factor—in fact may have no significant influence—in the determination and timing of technological changes. For the most part there appeared to be little causal connection between increased labor costs and the introduction of capital improvements.

There is no need to discuss at length in this paper the technical difficulties involved in any attempt to discover the marginal product of an added unit of labor in large-scale industry and to impute to that

unit of labor its value contribution to a joint, multi-processed product. Such difficulties have been discussed elsewhere in detail by the author. More recently W. J. Eiteman has succinctly explained the "hopeless complexity" that would attend any attempt to apply marginal analysis to modern manufacturing establishments. His demonstration leaves no doubt that it would be utterly impractical under present conditions for the manager of a multi-process plant to attempt, by means of repeated variation in the number of men employed, to work out and equate marginal costs and marginal returns for each productive factor.

HENRY CLAY¹

Marginal Productivity Theory of Wages

Henry Clay (1883-) is a famous English economist whose studies in labor relations have won him a place as an authority on labor problems in Britain; Warden of Nuffield College, Oxford University.

Economic theory explains wages, in much the same way as it explains the prices of commodities, by reference to supply and demand. It is not to be inferred from this statement that the economist is unaware of the differences that distinguish labour from commodities; a large part of Economics is devoted to examining and insisting on these differences. They are particularly important on the side of supply. The seller of labour

¹ From Henry Clay, *The Problem of Industrial Relations*, by permission of The Macmillan Company, publishers, London, 1929, pp. 213-30.

has to get rid of what he sells currently, or not at all; he cannot store up what he cannot sell, and is in the weak position of the seller of a perishable commodity. The kind of labour he has to offer is very largely determined by conditions over which he has no control, more particularly by the foresight of his parents in equipping him with a skill that would be needed—or the reverse; so that the adjustment of labour supplies to a changing demand is necessarily slow and imperfect. He has to deliver his labour himself, and, although he may be able and willing to move, he may have a family, some of whom are in employment, to tie him to his present place of residence; hence a demand for labour that he could satisfy may be of no use to him, since he cannot move. In modern industry he is usually compelled to sell to an employer who buys the services of many workers, and who could, if no organisation to prevent him existed, exploit to his own advantage the worker's need to sell his single unit of labour. In modern industry, again, the worker is not in as good a position to gauge the market importance of his work as the employer; he has a narrower economic range of view, less experience in commercial dealings.

These differences all tend to make the settlement of the price of labour in some way different from the pricing of commodities, but do not detract from the general principle that a wage is related to, and explained by, the supply of labour for which it is paid. The wage must be sufficient to call forth enough workers to meet the demand. Normally, and in the long run, this requires a rate high enough to remunerate exceptional skill or other qualities, and to compensate for special training. It must bear some relation to rates in other industries, which compete with it for labour, and ultimately to the

population of working age, on which all industries depend for labour.

On the other hand, wages depend equally on the demand for labour. They will rise or fall in any industry, as demand rises and falls and makes it necessary to attract or to divert elsewhere additional labour. And wages as a whole will vary with the productivity of industry as a whole, since the product is the sole source of payment for labour, and therefore the determinant of demand for labour.

The whole product of industry does not go in wages to labour, because there are other factors in production. Where enterprise is free, the organisation of production, and its direction to the wants that consumers express through the market, is undertaken by firms working for profits. The different functions that used to be combined in the private employer tend to be specialised and remunerated separately; some agency, however, has to estimate the contributions, which different factors of production make, and remunerate them accordingly. Now the different factors are always in practice combined; labour, capital, natural resources, management, all need one another. The competition between them, therefore, takes place only at the margin of employment; *some* labour, *some* capital, *some* supervisory staff will be needed in any organisation, the question is whether more labour, or more machinery and less labour, or less routine and more responsible labour, will pay the employer better. As Marshall puts it, "the alert business man is ever seeking for the most profitable application of his resources, and endeavouring to make use of each several agent of production up to that margin, or limit, at which he would gain by transferring a small part of his expenditure to some other agent . . . he is thus, so far as his influence goes, the medium through which the principle of substitution so ad-

justs the employment of each agent that, in its marginal application, its cost is proportional to the additional net product resulting from its use."

As a result of this process by which labour is valued, certain relations between the supply of labour, wages, and the demand for labour (or employment) are formulated. Assuming no change in the demand for the product of a particular kind of labour and no change in the supply of the other co-operating factors of production, additional labour can be employed only at a lower rate. This is so, because the additional labour will be employed at less advantage—with less adequate equipment, less space, less choice of material, upon less urgent and important work. The marginal product of labour is less, and, in Marshall's words, "the wages of every class of labour tend to be equal to the net product due to the additional labour of the marginal labourer of that class." This *Law of Marginal Productivity* serves also to explain the sharing out of the total product of industry between the factors of production. If labour is plentiful and capital scarce, the marginal productivity of labour will be low and wages correspondingly low; if capital increases disproportionately, the marginal productivity of labour will rise, and labour's "pull" upon the product of industry will be strengthened.

Two cautions are necessary. In the first place, the "marginal labourer of any class" is not marginal in the sense of being the least efficient to be employed; he is marginal in the sense that the addition of him to the force makes it up to the number just worth employing. He is "a worker of normal efficiency whose additional output repays the employer with normal profits but not more"; the importance of this marginal labourer is that "it is the bare product of a unit of labour alone that we are seeking to distinguish

from other elements in the general output of the industry, and that consists in the difference between what nine units of labour and all the capital can produce, and what ten units of labour and all the capital can produce."

The second caution is directed against a misunderstanding of the object of the marginal productivity theory. It is not offered as a complete explanation of wages; its use is "that it throws into clear light the action of one of the causes that govern wages." Wages, interest, rent, all depend on the general relations of the supply of and demand for the things for which they are paid; but the correlation of wages with the law of diminishing productivity sums up the immediate connection between the supply of labour, the wages paid for it, and the demand for it or employment. . . .

Abstract as this theory may appear, it sums up in a succinct formula the explanation of the most obvious variations in wages. Where population is dense and capital and natural resources per head of population low, as in India, labour productivity will be low, because labour will be pushed into uses which in other countries would be performed by some power-driven appliance, and wages will be low. Where the opposite conditions prevail, as in North America or Australia, labour will be economised by an extensive use of labour-saving equipment, production per head will be high, and wages correspondingly high. . . .

SOME QUALIFICATIONS

The theory we have thus briefly outlined is subject to many qualifications and explanations, and we have now to introduce such as are needed to show its bearing upon the problem of substituting an authoritative determination of wages for unregulated bargaining. The correlation of wage-rates with employment, which

was the final result of our analysis, would seem to make the raising of wages by authority possible only at the risk of causing unemployment, and so to make it undesirable. . . .

The first explanation that is necessary is that the theory is an analytical account of the general tendencies which determine wages, not a realistic description of the actual circumstances that a detailed study of wages would reveal. It is forced to abstract from the attendant mass of detail, in order to elicit clearly the general pattern about which these details cluster. Certain consequences follow. In the first place, the formula that wages will correspond with the marginal productivity of the wage-earner expresses a norm which may not at any moment be attained. In the long run employers cannot pay more, and wage-earners need not accept less. As we read those passages of almost lyrical enthusiasm in which the nineteenth century economist contemplates his hero, the *entrepreneur*, or those equally impressive passages in which this hero is revealed as the divinely appointed agent of the great Law of Substitution, we are inclined to overlook the imperfections in this agency. But many businesses are ill-organised and conducted on very inadequate cost accounts, with the result that wages may be paid in excess of marginal productivity in some cases and below it in others. The weakness, to which the wage-earner is subject in selling his labour, make it improbable that in all cases he will get his true worth on this theory. The coincidence of the actual level with the theoretically necessary level will, therefore, depend on the accuracy of the employer's accounting and the correction of the employee's inferiority of bargaining strength. Given a full understanding of the economic contribution of each class of labour, and given equality of bargaining strength, wages should correspond with marginal

productivity. But this equality of bargaining strength does not everywhere obtain, and, where it does not, the use of minimum wage machinery to force up wages to the figure that collective bargaining would have established, is a possibility. The first use of legal machinery, therefore, as of trade-union organisation, is to force employers to pay what they can.

In the second place, the general statement of the relation of wages to productivity abstracts from, and makes no allowance for, variations in the efficiency of employers. Other things being equal, the wage that can be paid depends on the marginal productivity of the wage-earner, which in turn depends on the proportions in which labour is combined with capital, natural resources, and other agents of production. But other things are not necessarily equal; and room must be made in a complete statement for the influence upon wages of the varying efficiency of employers. Productivity varies from firm to firm and from time to time independently of variations in the relations of labour to capital and in industrial technique. There is, therefore, always a possibility of increasing the productivity of labour by screwing up the less efficient employers to the level of the more efficient, or by assisting the latter to absorb the businesses of the former. The second purpose that a minimum wage law may serve is to impose upon less efficient employers in an industry the necessity, either of raising the efficiency of their productive organisation to the average level of the industry, or of giving way to others who can so raise it.

Similarly—and this is the third way in which the mere fixing of a legal minimum wage may raise wages—the wage reacts upon the efficiency of the wage-earner. The marginal productivity theory, being merely a variation on the pattern of general value theory, considers pri-

marily only distribution between "factors" of production, and its chief purpose is to bring out the relations between forms of income and the movement of market prices; but a wage, while it is the price paid for so much of a factor in production, is not to be identified with that price. A wage is the income of a labourer, and, without any variation in the price paid by the employer for a unit of labour, it may be greater or smaller, according as the labourer is able to supply more or less labour. As Marshall, whose view of the scope of economics was apparently wider than that of his disciples, points out, "there was no need [in another connection] to raise the question whether the increase in work came from an increase in the number or in the efficiency of those in the group. . . . But the question is of vital importance to the members of that group." Now minimum wage policies are concerned directly with wages in the sense of worker's income, and only indirectly with the value of units of labour. The fixing of a minimum wage, therefore, whether by legal action or trade-union pressure, leaves the employer the option of extracting more units of labour from each workman in return for the additional expenditure upon wages. The setting of a minimum price on the worker's *time* may be a stimulus to better organisation. It is a direct inference from the law of marginal productivity that, when workers are cheap, their time will tend to be wasted; when they are dear, it will be economised. The additional *units of labour* secured may be remunerated at a lower rate than was paid before wages were raised, and yet wages per *worker* may be higher, because the worker renders better service. A legal minimum wage, therefore, may serve to establish a minimum standard of competence as a

condition of employment at all, which the workpeople, with the employer's aid, can attain.

WAGES AND VALUE OF PRODUCT

Wages, we have just had occasion to remember, are the wage-earner's income, although it may be convenient for some purposes to look at them merely as the price paid for the wage-earner's work. As such they consist of so much money, and, if there are no changes in the purchasing power of money, it is the amount of money he gets that determines the wage-earner's economic position. Now when we are considering the distribution of society's income as a whole between the different factors of production, we can ignore this money aspect of wages; what is important is the share of the goods and services produced by the industry of society that goes to labour. But when we are considering the difference in rates in different industries, the money aspect is of the first importance. In this sectional consideration of wages, the productivity of the labourer is of less importance than the value that the market attaches to his product, and the one may go down while the other is going up. Thus the productivity of English coalminers, measured in tons per caput per annum, was falling from the beginning of the century to 1920, but wages were rising, the fall in output of tons being more than compensated for by the rise in value per ton. If average earnings as shown by the Wages Census be compared with average (value) output per head as shown by the Census of Production, a broad distinction is shown between industries in which men predominantly are employed, in which both wages and value of output are higher than the average for all industries, and industries in which women predominate, in which wages and value of output are lower than the aver-

age. The reason is not that women workers turn out fewer hanks of yarn, pieces of cloth, gross of cigarettes, or other unit of quantity, than men do—the substitution of women for men on many forms of munitions production during the war was followed by an increase in output—but simply that the values of things produced by women's labour run lower than the values of things produced by men's labour. Women may be able to produce a smaller physical quantity than men in certain industries, where physique or long training are essential; but equally there are light occupations, calling for a monotonous accuracy, in which women would produce the greater physical quantity. It is important, then, to distinguish sharply between physical productivity of labour and value-product.

The relation between number of workers who can be employed and wages that can be paid, that we noticed, is the resultant of two distinct influences. Assuming no change in supplies of capital and other co-operating factors, an increase in the number of workers will involve a diminishing addition to the physical product of the industry, and for that reason tend to lower the wage that can be paid. Since it will, though at a diminishing rate, increase the supplies of the product of the industry on the market, it will also tend to reduce the value of a unit of output, if there is no simultaneous increase in demand. The curve of diminishing productivity, . . . will be steeper than either the curve of physical productivity or the curve representing the diminishing utility to consumers of the product of the industry, since it is the resultant of the two taken together. There may, however, be changes in demand, with the result that the physical productivity curve may be translated into a series of value-productivity curves, each corresponding with a different state of demand and a different resultant price

for the product of the industry. Before we can understand the full implications of this, it is necessary to note another characteristic of the marginal productivity theory.

The theory is a *static* theory—that is to say, it sums up the relation between wages and employment that would be established, if, without other change, alternative quantitative relations between labour, capital, and the other factors in production were allowed to work out their full effects. As such, it provides a clue to the understanding of wages at any moment, but it requires to be supplemented by a consideration of changes in all the conditions, which it assumes as constant, before a complete explanation can be reached. In other words, the *static* analysis must be corrected by a consideration of the *dynamic* elements in the problem.

Thus we have seen that the theory abstracts from improvements in industrial technique and organisation, although these are principal sources of increases in wages; it does so, because they take time, and because their influence can be allowed for subsequently. It abstracts from the reaction upon the efficiency of employer and of the employee, which the removal of the possibility of paying the previous low wages may have. Similarly, it leaves for separate and subsequent consideration, the influence of additions, not of labour by itself, but simultaneously of all the factors of production—which is, after all, the normal case—in increasing or decreasing the returns to all the factors together. The most important dynamic influence upon the relation of wages and employment is, however, the upward and downward movement of prices. The curve of productivity, when productivity is translated from physical volume to money value, is constantly moving up and down as a whole, as the value of the product rises or falls.

TRADE-UNION WAGE POLICY

We are considering the relation between wages and employment in a single industry. We have seen that the two are mutually inter-dependent; assuming no other change, more can be employed at a lower rate, while a higher rate will be possible only by excluding from employment some who are at present employed. Why, we are forced to ask on observing the differences in wages in different occupations, do we get a correlation of low wages and extensive employment in some trades, high wages and restricted numbers in others? The coincidence of the wage with marginal productivity is found in both cases; why does the same law give such different social results?

This relation between wages and employment is a standing incentive to restrict entry to trades. If they can restrict numbers, leaving out of account the secondary effects upon the volume of the product of industry as a whole, a class of labour may secure a double gain, from increased marginal productivity as the proportion of labour to other factors declines, from increased marginal utility as the supply of the product of the industry, in relation to the demand for it, is reduced. It will always be possible that the gain to the class restricting its numbers will outweigh the share of the resulting loss to society that falls upon them. Restriction is the chief explanation of differences in wages; but not so much deliberate and conscious restriction, as the indirect restriction imposed by the cost of training, length of apprenticeship, and in general, the inequality of opportunity that follows necessarily from social inequality, and the indirect restriction imposed by trade-union action upon wages.

Let us look at the problem with which a well-organised trade union is faced in meeting a demand for a reduction in

wages or framing a demand for an advance. Its problem is a dynamic, not a static, problem; whatever settlement is reached, the correlation of wages and employment will be maintained; the union's problem is, assuming the facts of demand, at what point on the productivity curve it will endeavour to fix wages. When there is a change in demand, and the whole curve falls, the union is in a dilemma; it has to choose between maintaining the present number of workers in employment by accepting a lower wage, and maintaining wages at the expense of causing some unemployment. On the whole the tendency is to maintain the rate even at the expense of unemployment. The strongest unions, strong enough to be sure of getting back anything they concede, as soon as improved conditions permit, will accept a reduction; they will even, as in the iron and steel trades, tie wages to selling prices, and accept an automatic variation in accordance with price changes; but the commoner practice is to resist any reduction, through the fear that a reduction, once conceded, will be difficult to recover.

The policy of unions, then, is to maintain wages at the expense of unemployment when trade falls off, and to force them up when trade is good. It is by this policy that they have been enabled to raise the wage standards of organised trades above those of unorganised trades. By fixing the rate, they automatically restrict the trade to the number that can be employed at that rate; unemployment in bad times and the forcing up of wages in good times tend to check any influx into the trade, so that there is always a close relation between the members dependent on it and the numbers who can be employed at the union rates. This would be an uneconomical, and even dangerous, policy, if industrial conditions were static, since it would involve loss of output

through unemployment in bad times and loss of output through restriction of numbers in good times; but industrial conditions are not static. On the whole society tends to get richer; population grows and permits a more economical specialisation of labour, capital accumulates more rapidly than population grows, technical invention and improvements in organisation give a larger return to a given expenditure of capital and labour. In preferring unemployment to a reduction in wages, therefore, the unions expect only temporary unemployment, for the relief of which they devised unemployment insurance; they stand out against any reduction in wages, or against a reduction large enough to ensure the employment of all the persons in the trade, because they rely on the rising tide of wealth to float off those of their members whom their wage policy has stranded on the shoals of unemployment.

This policy explains the steady rise of wages in unionised occupations in the nineteenth century. That rise would, of course, have been impossible if the wealth of society had not increased; but the trade-union policy was the means by which their members secured their share in this increase. It explains again why wages fluctuate less than prices; the trade unionist prefers to take his losses due to trade fluctuations in the form of unemployment rather than of wage reductions. It explains also the greater plasticity of wages in the more strongly organised industries, since only a strong union can make a concession in bad times without endangering the main object of unionism, the control of wage-rates. Wages under trade-union control are, in fact, a case of monopoly price. The characteristic of monopoly is, not that it can control demand, but that it can restrict production to the amount that, given the conditions of demand, will pay it best. Similarly the

union can resist, by withholding its labour, the tendency to force down wage-rates in bad times to the level at which all can be employed; it can choose the rate at which labour shall be supplied, on condition that it is prepared to face the unemployment that a rate higher than the absorption rate will cause.

THE ORIGIN OF "SWEATING"

Let us contrast with the reaction of an organised trade to fluctuations in trade prosperity the effects of the same fluctuations upon a completely unorganised trade. When demand falls off, wages will be reduced to the point at which the value of the marginal product of the worker again covers his or her wage; so far the difference is merely that the one trade meets depression by reducing wages, the other by reducing employment. But presently demand recovers. There are then two possibilities: either wage-rates may be restored, or even raised above the former level, and the same number be employed; or the reduced wage-rates be maintained, and additional workers be drawn in to meet the increased demand at that level of labour-costs. In the absence of organisation, the latter tends to be the alternative taken. Successive fluctuations will have the same effect, reducing wages in depression and expanding employment in boom, until the scale of the industry is large enough to satiate the demand of the poorest class of consumers, and wages are so low that, even with the aid of supplementary earnings by other members of the family, poor relief and charity, they barely maintain the workers.

Thus the unorganised trades tend to become "sweated" trades, because they are the unrestricted trades. Deliberate restriction of entry is the exception among unions; the effective and necessary restriction of numbers is secured by insisting on a certain minimum rate, to which in time

the scale of the industry's production is adjusted. The "sweated" trades are unrestricted, because they expand on a basis of low wages, when, in the interest of the workers in them, the opportunity should be taken to force wages up rather than expand employment. Women's wages in general are lower than men's, because women are crowded into a restricted field, in which wages are depressed to the level at which a single woman can maintain herself, and prices and production adjusted to lower costs on that basis. A statutory minimum wage may, therefore, influence wages, quite consistently with the theory of wages we have outlined, in two ways. It may check the expansion of production upon a basis of low wages, which would otherwise take place as general trade conditions improved, and so prevent the development of an industry upon the basis of sweated labour costs; and by permitting expansion in response to a growth in demand to take place only upon a basis of higher wages, it may gradually divert a portion of the increase in society's wealth to the weakest classes of wage-earners.

Competition between trades or occupations for shares in the joint product of all industries is a more important influence in the distribution of wealth than competition between the factors of production. If the labour in a trade is well organised, the influence of this organisation will be transmitted through the employers to the prices of the industry's products, and so secure for the workers a larger share in society's income than other, less well-organised, workers of the same skill and exertion. The shares of the different occupations are constantly being modified. As the productiveness of industry is increased by invention, better organisation, and the accumulation of capital, three possibilities offer themselves: the additional wealth may be distributed in exactly the same proportions among the different occupa-

tions as the previously existing product; or it may be secured by the more strongly organised sections; or it may be diverted to the weaker and poorer sections, this diversion being affected either by an increase in wages, following on an increase in the prices of their product, or by a reduction in the prices of the things on which they spend their wages, with no corresponding reduction in their own prices and wages.

The social interest lies in realising the third of these possibilities; the tendency of existing competition, in the absence of State intervention, is to lead to the second. Effective *sectional* trade-union action, by forcing up wages, restricts employment in the organised sections, and so compels a number of the working population, disproportionate in relation to the demand for products of all kinds, to seek employment in unorganised sections, where their numbers force down their wages, and, with wages, the prices at which the products of their labour can be sold. To prevent this unequal distribution of the addition to society's wealth, it is necessary to equalise the bargaining strength of the different sections that co-operate in its production; or, if not to equalise, for that would be impossible, at least to repair the weakness that prevents the poorest sections from pressing their claims. The introduction of minimum wage-rates in these sections, which are maintained when trade falls off and adjusted upwards when trade improves, will effect the necessary change. Only when the grosser inequalities of bargaining strength are eliminated, can "the tendency of economic freedom and enterprise . . . to equalise efficiency earnings" operate.

A rough equality in the power of different groups to maintain wage-rates, and either to resist reductions in the downward phase of the trade cycle or to recover them in the upward phase, is desirable also in the interest of the most economical

application of a country's resources. If some wages are controlled, by unions or otherwise, while others are uncontrolled, not only will wages for a given level of skill and exertion diverge in the two groups, but those industries will tend to expand in which wages can be forced down, and those to contract in which wage-rates are maintained. There is no reason to suppose that the former are the industries in which the country's economic effort will be most effective; rather the reverse. And, even if the country has advantages in the low-wage industries, the alternating depression of wages and expansion of employment, which trade fluctuations bring, will lead to an investment of enterprise and capital in these industries disproportionate to the advantages they offer. Further, if they are carried on for export, the beneficiaries of the low wages paid will be the consumers in other countries, and the low wages themselves will operate as a bounty on export. Thus a comparative advantage in international trade will be a social disadvantage in the domestic economy.

LLOYD G. REYNOLDS¹

Wage Differences in Local Labor Markets

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The perfect labor market usually assumed in discussions of wages tends toward an equilibrium position in which workers of equal ability working equally

hard at identical jobs under uniform conditions would receive equal wage rates. While actual labor markets are obviously far from perfect, one is still inclined to believe that some such tendency toward wage equalization is operative.

It is always somewhat disturbing, therefore, to observe the great variety of rates for apparently comparable jobs which prevails in actual labor markets. The National War Labor Board has during the past several years collected the rates paid by different firms for certain "key occupations" in a large number of industrial areas. Inspection of these data indicates that the highest rate in an area is usually at least 50 per cent and frequently 100 per cent above the lowest rate for workers classified under the same job title. . . .

There is . . . no reason why each firm in the market should not have a different wage rate. Moreover, there is no longer any reason to expect a clear relation between a firm's wage level and the type of product market in which it deals. The effect of differing types of product market, while still present, is mingled with the effect of conditions influencing each firm's cost position in its own industry—notably the wage levels of other areas in which rival producers are located, and the cost of factors other than labor to this firm as compared with others. Added to these factors affecting each firm's ability to pay are differences in managerial judgment concerning the wisdom of paying as much as one can. The actual wage structure of an area reflects the composite effect of these influences. The effect of each can be gauged only approximately and only through studies which reach beyond the area concerned to the cost-price structure of each industry represented in it.

With these considerations in mind, it is possible to suggest one or two reasons why a firm may choose to pay a higher wage than it has to at the moment. The

¹ By permission from Lloyd G. Reynolds, "Wage Differences in Local Labor Markets," *American Economic Review*, June, 1946.

firm is likely to be uncertain about the precise location of its wage minimum, particularly under dynamic conditions in which the minimum may change very frequently. If it can afford to do so, it is likely to "play safe" by paying somewhat more than its estimate of the minimum. Different firms may thus be at differing distances above their wage minima because of differences in the accuracy of their estimates and also because of differences in the safety margin which they feel able to afford.

The degree of uncertainty is increased if one takes into account a factor hitherto excluded from the discussion, *viz.*, variations in individual efficiency. A reduction in wage rates will lead to a less than proportionate reduction in wage cost per efficiency unit of labor; for efficiency will fall both through a lowering of the grade of labor which the firm can recruit and through a reduction in the efficiency of those already employed. The wage level which would actually yield minimum cost per efficiency unit could perhaps be determined by successive wage reductions. But since such experimentation is dangerous, it may not be undertaken unless the pressure of competition compels it, and the firm may continue at a level of wage costs somewhat above what is strictly necessary.

A monopoly or a closed oligopoly group may pay more than the minimum wage in order to render the industry less attractive to potential competitors. It has frequently been pointed out that a monopolist may for this reason charge a price below that which would maximize profits. But profits can be held at a moderate level by paying high wages instead of by charging low prices. Provided potential competitors take the wage level of established firms as an indication of what they would

have to pay to secure labor, this technique may be highly effective.

Payment of a relatively high wage may also simplify the problems of personnel management by facilitating recruiting of labor, stabilizing the working force, stimulating efficiency, improving labor cooperation with management, and so on. Maximizing profits is hard work. Some sacrifice of profits in order to make the job of management easier may be perfectly "economic" action from the standpoint of the managers, though not from the standpoint of the owners. . . .

The argument has been directed toward explaining the long-run persistence of differences in wage *levels* within a local labor market. But it is also relevant to the problem of how wage *changes* occur and how changes in one labor market are transmitted to others. Under usual assumptions about labor market structure one would expect that, during a cyclical upswing, wages would rise in an area *only* when full employment had been reached. The area would then begin to draw labor from other areas and, as full employment was reached in more and more areas, wage increases would become general throughout the economy. During periods of cyclical decline this process would be thrown into reverse. In either case, local labor markets would be linked together primarily by inter-area movements of labor, and the rapidity with which wage changes were transmitted throughout the system would depend on the rapidity of this movement.

This sort of model, however, does not explain the fact that wage rates frequently rise in an area while heavy unemployment still exists, and that wage impulses are transmitted within and between labor markets much more rapidly than could be explained by actual or even

potential movement of labor. These facts can perhaps be more nearly explained by the considerations set forth above. Suppose that the leading firm of a "controlled oligopoly," located in labor market A, raises wages—perhaps as prelude to or aftermath of a price increase. The wage increase is followed by another member of the industry, located in labor market B. This action will raise the estimates which other firms in area B make of their own minimum wage; as demand conditions permit, some of them will make increases to maintain their "historical position" in the wage structure. Thus the whole "escalator" of minimum wages in the area moves upward, carrying actual wage rates along with it. But the firms in area B have competitors in areas C, D, etc., some of whom will be influenced by the wage changes in B, and so on. A symmetrical explanation can be offered for the transmission of wage decreases.

Thus, through industry linkages, a wage change in one area may be transmitted rapidly to distant and apparently unrelated areas. This need not involve any actual or even threatened movement of labor between areas. Inter-area movement of labor appears indeed to perform, not its traditional function of equalizing wage rates, but the quite different function of equalizing unemployment ratios in different areas. During recession and depression labor mobility declines greatly and, because of differences in the cyclical variability of different industries, unemployment piles up more rapidly in some areas than in others. As recovery gets under way, movement sets in once more toward areas in which the unemployment ratio is relatively low. But the areas in which unemployment is low are not necessarily those in which wage rates are high.

RICHARD A. LESTER¹

Wage Diversity

The data presented in this paper indicate a wide diversity in the wage levels of firms in the same industry and in the same locality. These wage-level differences exist and persist without compensating differences in job content, work loads, working conditions, or other prerequisites. Indeed, work assignments, working conditions, and non-wage benefits probably are on the average less favorable in low-wage than in high-level plants.

Wage-rate data indicate that uniformity of rates in the same labor market for the same grade of labor is rare and exceptional. It is likely to occur under only 4 conditions: (1) common or combined action by employers, (2) collective action by employees, (3) joint action by labor and employer groups, or (4) compulsory action by government. In other words, uniformity in wage rates is evidence of concerted action and restraint of competition. It is wrong to assume that, in the absence of collusive or compulsory forces, there will be a single "prevailing wage" in a locality which is paid by a number of firms employing the same class and quality of labor. Competitive forces in the labor market apparently do not tend to enforce a single rate but result in a variety of rates.

There are various reasons why competition does not lead to wage uniformity. For one thing, employers have different independent judgments of the relative value of a job so that evaluation of jobs differs somewhat according to the evalu-

¹ By permission from Richard A. Lester, "Wage Diversity and Its Theoretical Implications," *Review of Economic Statistics*, August, 1946, pp. 157-59.

ator. Furthermore, a firm's long-run and short-run interests may be in conflict in the pricing of its labor. An employer with a good reputation and a relatively contented work force would hesitate either to discharge them (assuming he could do so freely and legally) in order to hire others at much lower wages, or to follow a policy of reducing and raising his occupational wage rates with current changes in demand and supply for that grade of labor in the local market. On the supply side, the amount of labor available to an individual firm is influenced by all sorts of non-wage factors such as personal relationships, *esprit de corps* of the work force, equity of treatment, social status connected with employment at one plant rather than another, accumulated seniority, possibilities of advancement, probable stability of employment, etc.

It is for such reasons that considerable diversity in wage levels exists between firms despite the fact that many employers believe that they are following a policy of "paying the prevailing rate" for the job in the locality. Actually, in most instances, there is no *the* prevailing rate but a band of rates.

The fact that in the absence of collusion or coercion there is this rate diversity helps explain why wage uniformity under collective bargaining is so rare even on a local basis and why attempts to establish or maintain uniformity of wages under joint arrangements have sometimes failed in manufacturing (in contrast to local-market industries like transportation, building, and newspaper printing where competition is more easily controlled).

Study of wage data and the actual processes of wage determination indicates that psychological, social, and historical factors—such as the social outlook and generosity of the management, community attitudes

and mores, tradition and past position of the firm—are highly important influences in particular cases. There appears to be a fairly high degree of irrationality in the wage structure and in company wage policies, judged either by the market analysis of economists or job evaluation within and between plants.

Employers generally have been able to select the point, within a band or range of rates, at which they would establish their occupational wage levels. The factors that have influenced the employers' choices and the limits to the range (or scope of variation in a local market) have not been adequately explained, and the use of ideas and concepts developed for commodity markets apparently will not provide the appropriate answers for labor markets. Competition and monopoly, collective bargaining and government or outside interference in the market, are not sufficient to supply all, or even most, of the answers to questions raised by the statistics.

New and broader approaches are needed to develop adequate explanations of wage rates actually being paid—to explain differentials between firms in the same labor market, differentials between occupations, and geographic differentials. Detailed studies of individual labor markets need to be made to discover what factors limit the range of variation for the same work in a labor market, how changes in labor-market forces or circumstances serve to confine or expand the possible range of variation in a labor market, and why wage diversity in one labor market may be double or triple that in another labor market. The result of such investigations should be the development of a range theory of wages that would supply answers to the questions raised by such data as those presented in this paper.

LLOYD G. REYNOLDS

The Supply of Labor to the Firm

"Labor market" will be used here in the ordinary sense of a manufacturing and trading center plus the agricultural hinterland directly tributary to it. The term "wage" will be defined to include all of the conditions affecting the attractiveness of a job, including the basic time-rate or average piece-rate earnings, monetary compensation not included in the base rate—overtime earnings, shift premiums, bonuses, pension benefits, free medical care, sick leave, paid vacations, and the like, together with the social and physical conditions of work. Two plants which are equally attractive to a prospective employee will thus by definition be paying equal wages. The alternative and more conventional approach would be to define the wage as the base rate and to assume either that inducements other than the base rate are equal in all firms under consideration or else that they are of no importance. Since it is obvious that either assumption would be highly unrealistic, it seems better to adopt the definition proposed here and to face squarely the consequent problems of measurement.

It will be assumed throughout this section that there is no involuntary unemployment; that all workers are of equal ability or, alternatively, that labor is measured in efficiency units; and that all jobs are unskilled and all workers therefore interchangeable. . . .

A horizontal supply curve of labor to the firm is obtained by adding to these assumptions two others: (a) that all

workers are fully informed concerning the wage, as defined above, offered by each firm in the area, and are willing to change jobs for a very small gain in wages; (b) that the firm in question is "small"—that its withdrawal of labor from other firms does not appreciably raise the marginal revenue product of labor in those firms. The object of this section is to examine the principal ways in which these assumptions may be modified, and the type of supply curve which will result in each case. The discussion will be conducted in terms of the relation between wage increases and increases in labor supply, i.e. looking *up* the supply curve, and it will be assumed that we are starting in each case from a wage equal to that of all other firms in the area. The extent to which this reasoning can be reversed to explain the consequences of wage cuts will be examined at the end of the section.

(a) The assumption that workers are fully informed and completely responsive to wage differences may be altered in three main ways. It may be assumed that workers are ignorant of the wages paid by other employers, or that they are perfectly informed concerning wages but are deterred from changing jobs by considerations of security, or that they are perfectly informed concerning wages but differ in their evaluation of the non-base-rate components of the wage. These possibilities will be considered in turn.

Complete ignorance by all workers of the wage rates paid by other employers would result in a completely inelastic supply curve of labor to each firm. No possible increase in wages would attract any additional labor, since no one would ever hear of it. If part of the workers in the market were informed concerning wage rates while the remainder were not, the supply curve of each firm would have a horizontal section equal in length to the number of "informed" workers and would

¹ By permission from Lloyd G. Reynolds, "The Supply of Labor to the Firm," *Quarterly Journal of Economics*, May, 1946, pp. 392-98.

then become vertical. A gradually rising supply curve could occur only if there were a functional relation between a firm's wage level and workers' information concerning it, i.e. if the workers' ignorance could be dispelled by mere increases in the wage offered *and by nothing else*. For if the workers' ignorance could be dispelled by the passage of time, the rising supply curve would be significant only for short periods and could be flattened out more and more by allowing successively longer periods for adjustment. Or if it could be dispelled completely by a lump-sum expenditure on advertising and other labor recruiting devices, the result would be a step-curve with one rather modest step. Thus, while a continuously rising labor supply curve might conceivably result from ignorance alone, this ignorance would have to be of a very special sort hardly likely to be significant in practice.

The worker may be deterred from seeking a new job at a higher wage rate by uncertainty concerning his chance of securing and retaining it. He may be viewed as weighing his prospective future earnings in his present job, discounted to their present value and further reduced to allow for anticipated unemployment, against a similar calculation of prospective earnings in the new job. Workers will differ in their judgment of the wage rate at which it is just worth while to change jobs, because they will differ as regards the length of the future period taken into account, the rate at which future earnings are discounted, their actual chances of remaining steadily at work in their present job, their estimate of their actual chances, and their estimate of the probable continuity of employment in the new job. As the wage offered in the new job rises, however, it will exceed the "break-even point" for more and more workers. The result is a rising supply curve.

This method of deriving a sloped sup-

ply curve, however, involves a departure from the assumption of continuous full employment. Workers will not be seriously influenced by fear of unemployment unless the economy is actually subject to unemployment on a considerable scale. But if unemployment exists, the labor supply curve of the firm may be horizontal over a distance equal to the number of unemployed in the area. . . .

"Wages" was defined above to include the base rate of pay, plus "fringe" types of compensation, plus the money equivalent of especially pleasant or unpleasant working conditions. But this yields an unambiguous definition of "equal wages" and a horizontal labor supply curve to each firm only if all workers in the labor market attach the same money value to specified working conditions and "fringe" compensations. If this is not so, it is no longer possible to say what constitutes equality of wages in the market, since what appears equal to one man may well appear unequal to another. One can say only that, at a specified wage, a firm will attract those workers who value its wage more highly than that offered by any other firm. As the wage offered is increased, the number of such workers will also increase. A sloped labor supply curve may thus be attributed to differences in workers' tastes in choosing jobs, in precisely the same way that a sloped demand curve for a commodity arises from differences in consumers' tastes. In both cases the curve becomes horizontal if differences in individual preference are eliminated.

In the case of the labor supply curve, moreover, an additional factor is at work. Part of the satisfaction which a worker derives from his job consists in the "social life" of the shop, the opportunity for continued contact with well-known associates amid familiar surroundings. Even if specified conditions of work were valued the same by all workers, or even if conditions

were identical in all establishments, workers might be reluctant to leave a familiar workplace and work-group. The wage differential necessary to overcome this reluctance would differ from one worker to the next, and the result would be a sloped supply-curve to each firm. This attachment to a particular work-group, operating independently of the attractiveness of the job, provides a separate basis for deriving a sloped labor supply curve.

(b) If we remove the assumption that firms are "small," the shape of the supply curve will depend on the reaction of other firms to a change in the wage rate of the firm in question. The problem is analogous to that of oligopoly in product markets, and a similar variety of solutions exists. It is not possible here to do more than mention a few of them, nor is it possible to go into the dynamics of adjustment from the old to the new equilibrium position.

Looking up the curve from the present wage rate, two extreme possibilities may be distinguished. A wage increase by any one firm might be accompanied immediately by wage increases of the same amount in all other firms. This might happen, for example, if employers followed a practice of consulting with each other before changing wage rates. Under such conditions either the firm proposing a wage increase would be dissuaded from making it or else all firms would advance their rates together. In this case each firm's supply curve will be a small-scale replica of the aggregate supply curve in the market. At the other extreme, wage increases by one firm might be ignored by all other firms. In this case the firm's supply curve would be much more elastic, its slope depending on the extent of workers' attachment to their present jobs. Supply curves intermediate between these two may be derived by assuming that some firms follow a wage increase while others

do not, or by assuming time-lags of various lengths between the initial increase and the reactions of other firms.

Looking down the supply curve, similar possibilities may be distinguished. The slope of the curve downward will almost certainly differ from its slope upward, i.e. it will have a "kink" at a point representing the present level of wages and employment. The actual shape of the supply curve, moreover, may differ from the firm's forecast of its shape. Wage changes may result in "surprises" to the firm which alter its expectations for the future.

The discussion thus far has ignored the possibility of inter-area migration of labor. This factor may be introduced most conveniently by considering the case of a firm which is the only employer in its area. The shape of its supply curve will clearly depend on the amount of labor which can be attracted from other areas at various wage levels. Money costs of movement alone would produce only a very slight upward slope in the supply curve. Almost all manufacturing plants in the United States could find many times their present working force within a radius of a hundred miles, and most of the labor migration which actually occurs involves movement of a hundred miles or less. The cost of moving a hundred miles, amortized over the worker's expected period of employment at the plant, would in most cases add only a fraction of a cent per hour to the wage rate. Moreover, a labor supply curve based on costs of movement would not be continuous unless workers were evenly distributed geographically, and this condition is approximated only in purely agricultural areas. Vertical discontinuities in the supply curve on this account are not likely, however, to be of much practical importance.

Probably more important than the money cost of moving is the attachment of workers to a particular locality. Work-

ers ordinarily prefer a familiar community for the same reasons that they prefer a familiar workplace. The intensity of this local patriotism varies, however, from one individual to the next, and it can be overcome by a smaller cash advantage in some cases than in others. This factor thus provides a reason, and the only independent reason, why geographic dispersion might produce a marked upward slope in the supply curve.

This survey of possible labor market situations indicates that one of the reasons frequently given for a sloped supply curve, namely, the desire for security, is inconsistent with the assumption of full employment. Two others—"dispellable" ignorance and costs of geographic movement—do not involve any significant departure from horizontality.

A labor supply curve with an appreciable upward slope must be ascribed to one or more of the following four conditions:

1. Differences in worker preference for specified combinations of money income and working conditions.
2. Attachment of workers to a familiar workplace.
3. Attachment of workers to a familiar place of residence.
4. Large size of employing firms.

Only the first two of these are (or may be) applicable under all circumstances. The third will have a major influence on the firm's supply curve only when the firm is the sole employer in its area and additional labor must come from elsewhere. The fourth is of widespread importance, but it will produce a kinked rather than a continuous supply curve, and in some cases the curve may not even be determinate.

We conclude, then, that there seems to be no reason *a priori* to regard the continuous sloped supply curve as typical. It will exist under the conditions noted, but supply curves which are substantially hori-

zontal or substantially vertical, or which have a sharp kink at the existing level of employment, may also exist. The relative prevalence of these several situations under conditions approximating those of full employment is a matter for careful inductive study.

SUMNER H. SLICHTER ¹

The Influence of Unions on Wages

A much disputed question is whether or not trade unions can raise the income of the wage-earning class. That unions can often raise the *wages* of those of their members who are employed admits of no doubt. Instances could be cited by the score. Unions are simply more or less complete monopolies and possess the same ability to raise prices as does any sellers' monopoly. But, at a high wage rate, fewer men will be employed than at a low one. Consequently, it is by no means certain that unions can raise the *income* even of their own members.

The ways in which unions affect wages and the income of the working class are exceedingly numerous. In some respects, unions tend to raise the income of wage earners; in other respects, to lower it. Few of their effects can be definitely measured. Consequently, it is impossible to say whether the *net* result is an increase or a decrease in the income of wage earners as a whole. Nevertheless, it is important to analyze the various ways in which trade unions affect the income of workers.

It is sometimes argued that unions can-

¹ From *Modern Economic Society* by Sumner H. Slichter, copyright 1928, by Henry Holt and Company, copyright 1929, 1930, 1931, by Henry Holt and Company, Inc., New York, pp. 636-46.

not raise the general level of real wages because whatever they gain for their own members is lost by the rest of the working class. About 14 per cent of the non-agricultural workers in the United States are organized. If the union men succeed in raising their wages, their employers will find it profitable to use fewer men. The displaced men will undoubtedly seek work in other industries or occupations and will tend to lower wage rates there. Possibly there is no positive reduction of wages in the non-unionized occupations but simply a retardation of wages in the longtime upward trend—a trend which is produced by the more or less constantly increasing productivity of labor.

It cannot be predicted in a given case whether the losses of the non-unionists will exactly equal the gains of the unionists or whether they will be greater or less than the gains. *Any* of these results are possible. What result occurs in any particular case depends upon the elasticity of the demand for men in the unionized and non-unionized occupations, upon the relative wage levels in the unionized and non-unionized trades, and upon the relative numbers of men in the two classes of occupations. If the demand for men in the unionized occupations were inelastic and in the non-unionized elastic, the unions would raise the income of the entire working class. Under these conditions, an increase in the wages of unionists would produce a relatively small displacement of men and these men would be absorbed by the unorganized occupations and industries without a proportionate drop in wages. The total income of both groups of workers, union and non-union, would be greater. On the other hand, if the demand for men in the union occupations were elastic and in the non-union inelastic, unions would be unable to increase the income of the working class. By raising wages in the occu-

pations where the demand for men was elastic, unions would cause the displacement of a more than proportionate number of men who, by entering the occupations where the demand for labor was inelastic, would cause a more than proportionate drop in wages. The total earnings of both groups would be less. If the elasticity of the demand for labor were the same in both union and non-union occupations, the effect of unions upon the total earnings of the working class would be indeterminate. In general, however, the higher wages are in union occupations relative to wages in non-union, the greater the likelihood that unions, by forcing a wage increase, will increase the total income of the working class. The reason simply is that when wages are high, a given percentage increase means a larger absolute increase in income and when wages are low, a given percentage decrease means a small decrease in income.

The foregoing analysis is faulty because it ignores the tendency for wages to remain below the amount by which additional men would increase the incomes of business enterprises. . . . The essence of the matter is that when—because of technical progress, increases in the supply of capital, or a rise in prices—the value of labor increases, employers are reluctant to bid more for new men because, if they do so, they will be compelled to raise the wages of their old employees. Rather than do this, they fail to increase their forces to the point where an additional man would add no more than the amount of his wages to the income of the concern.

Unions may raise the general wage level by diminishing this lag in the movement of wages behind the increase in the value of labor. No statistical information is available concerning the size of the usual discrepancy between actual wages and the worth of labor, but it is reasonably certain that such a discrepancy exists.

As the art of management advances, as new mechanical inventions are made, and as the accumulation of capital increases the amount of equipment per wage earner, the productivity of labor increases. The increase undoubtedly occurs more rapidly at some times than at others, but there is reason to believe that it is occurring more or less constantly. Wages, on the other hand, do not go up constantly. Their course is like the steps of a stairway—possibly a 5 per cent increase is made by a plant one year and another 5 per cent several years later. If we assume that on each occasion wages are increased as much as the productivity of labor warrants, then it is obvious that *during most of the time* wages are below the productivity of labor. . . .

Important to notice is the fact that in so far as unions merely bring wages closer to the value of labor, they do not diminish the number of workers employed. *In fact, they may increase the number.* It will be recalled that a reason why employers may refuse to increase their forces up to the point where the output of an additional man would merely equal his wages is because to do so would require an increase in the compensation of the entire present force. But if the employees, through a union, raise their wages, the management may find it profitable to bid the same rate for additional men. If more men are willing to work at the higher rate, the wage earners achieve a twofold gain. Their money wages are higher and the purchasing power of each dollar is increased by the additional output of goods made possible by the greater volume of employment.

Any attempt to analyze the influence of unions upon the wage level solely in terms of the demand for labor at a given time is unsatisfactory. When one assumes a given state of demand for labor, one necessarily assumes a given state of indus-

trial technique, which in turn results in a certain productivity of labor and which makes it profitable for employers to hire a certain number of men at each wage. But the technique of production is constantly changing, and unions, through their rules and policies and also through their pressure for higher wages, affect the methods of production and, therefore, the productivity of labor. We have seen that the demand for men depends upon the income which they produce. This, in turn, depends in large degree upon labor's output of physical goods. In order, therefore, to appraise the effect of unions upon the wage level, we must analyze their effect upon the output of labor.

In some ways, unions tend to increase the physical productivity of labor; in others to diminish it. Let us consider first some of the ways in which they tend to limit it.

A few organizations definitely restrict the amount which their members may produce in a day. These cases, however, are not numerous and deserve less attention than they usually receive. Some organizations limit output by requiring the employment of more men on a machine or in a gang than the employer would use. Many locals of the pressmen's union, for example, regulate the size of the crews on presses. Unions may limit output by opposing the use of labor-saving devices. This may take the form of excluding the device from union plants by threat of strikes or it may take the form of retarding the adoption of the device in various ways. For example, a union may insist upon exceptionally high piece rates for operations performed on a new machine (as the coal miners' union has done); it may limit the number of shifts a day during which the machine may be operated; it may require that a given number of hand workers be employed for each machine installed; it may insist that the machine be

operated by expensive skilled labor when it might easily be handled by cheap, semi-skilled men. Unions may limit the productivity of their members by various make-work rules, such as the famous rule of the typographical union which requires that plate-matter be reset in each newspaper shop where it is used. Probably the most important way in which unions restrict production is through their efforts to create security for their members by protecting them against discharge or lay-off. Some unions make it extremely difficult for employers to discharge the less competent men. They also prevent the lay-off of the less efficient workers during slack times by insisting that lay-offs occur according to juniority or by prohibiting lay-offs altogether and requiring that work be divided equally among the entire force. When men have little reason to fear that inefficiency will mean lay-off or discharge, one of the principal incentives for efficiency is destroyed.

But unions do not merely limit output. In many ways they tend to increase it. One way in which they do so is by their constant pressure for higher wages. Managements, of course, are never as efficient as they might be. They often do not use the method of production which would be most economical under the circumstances and frequently they do not strive as energetically and as persistently as they might to discover more economical methods. Competition between enterprises does not appear to be a sufficiently powerful stimulus to make managers do their best, and in many cases competition is not very intense. When a union succeeds in obtaining a wage increase, managers feel a special need of finding ways to get more work out of the force. In fact, the shock to managerial complacency which is produced by the success of the union in gaining a substantial wage increase may be precisely what is needed to jolt an administration

out of a rut. An illustration of the effect of a wage increase upon managerial efficiency is furnished by the experience of a large western railroad which, on April 1, 1929, granted the union in its car repair department a wage advance of 8 per cent. In this instance, the management was an efficient and energetic one. Nevertheless, the wage increase was a spur to still greater efficiency. The car repair department is operated on a budget with a monthly allowance for labor determined at the beginning of the year. When the new wage rates took effect, the general superintendent of car equipment informed his shop superintendents that their allowance for labor would be increased by 8 per cent for the first month. The extra allowance, however, would be diminished one-sixth each month, which meant that he expected his superintendents to absorb the increase through greater efficiency and staff reductions within six months. So rapidly did the superintendents economize labor that four months after the increase took effect, the labor cost was nearly down to the original budget allowance.

Probably the greatest contribution of unions to increasing the productivity of labor occurs in piecework plants. When pieceworkers are unorganized, they often refuse, we have seen, to produce more than a certain amount for fear the employer will cut the piece rate. But when the men are protected by a union against arbitrary cuts in rates, they become willing to produce to the best of their ability. In unorganized plants, as was pointed out above, pieceworkers are ordinarily not paid for time spent in waiting for work nor are they paid for spoiled work, even if it has been spoiled through no fault of theirs. For these reasons, managements often fail to plan the work so that each worker is always busy, to provide satisfactory material, and to make repairs to equipment without delay. By insisting

that the men be paid for waiting as well as for working, unions compel managers to improve the planning and scheduling of production; and by requiring that the management pay a man at the rate of his average hourly piecework earnings whenever it is responsible for his failure to earn the usual rate, unions compel managements to provide proper raw materials and to keep machines and other equipment in good repair.

In analyzing the effect of unions upon output, we must distinguish between productivity per *day* and productivity per *lifetime*. Some of the very methods which reduce productivity per day may increase productivity per lifetime. Suppose, for example, that a union succeeds in directly or indirectly enforcing a more moderate pace. One result may be 5 per cent less work each day. But another result may be an increase in the average working life of the men in industry. Unions also prolong working life by protecting the health of the men and by helping to reduce industrial accidents. Many locals of the granite cutters' union, for example, prohibit the use of hand surfacers known as "bumpers." It is impossible to provide suction to remove the dust created by the machine, and the operator must bend over in such a way that he is particularly exposed to dust. Undoubtedly the union, by prohibiting the use of the machine, reduces the daily output of the men, but the protection of their health and the prolonging of their working life must be counted as offsetting factors in estimating the net effect upon production. In many other ways, the granite cutters' union has fought against dust, the great hazard of the industry and the cause of the high tuberculosis rate among granite cutters. The photo-engravers' union has waged war against fumes. The rules of the union require that each chapel establish a committee on sanitation which is expected to

make periodic reports to the local union on sanitary conditions in the shop. Perhaps the most important work of all has been done by the women's garment workers' union in New York City. For a number of years the union, together with the employers, supported a joint board of sanitary control. Shops were required to observe a code of rules governing ventilation, overcrowding, lighting, and other matters of sanitation. The board employed its own inspectors to visit the shops and to enforce the code. The sanction behind the orders of the inspectors was the refusal of the union members to work in shops which failed to observe the code.

Possibly the way in which unions exercise the greatest influence upon output per lifetime is through their restrictions against the arbitrary discharge and lay-off of men. When employers are free to "hire and fire" as they see fit, they are likely to select the older men for lay-off in times of slack business and replace them later with younger men. From the standpoint of the individual business enterprise, this is often advantageous, but from the standpoint of the community it is wasteful. Since most employers prefer to hire young men, the older men who have been displaced find it difficult to obtain steady work and are unemployed much of the time. This means that the community's labor supply is not completely utilized. When the older men do obtain work, they must often accept jobs for which they are not fitted by training and experience and at which they are less productive than at their customary occupation. Unions, by prohibiting lay-offs altogether or requiring that the junior workers be laid off first, and by prohibiting discharges except for adequate cause, prevent employers from replacing older men with younger and increase the number of years at which men can obtain

steady employment at their customary occupations.

Before leaving the topic, two possible long-run effects of unions upon wages should be mentioned—their effect upon standards of living and their effect upon the rate of saving.

By raising the compensation of their own members, unions may raise the standard of living and hence, in the course of a generation, the wages of the entire working class. Standards of living spread by imitation from the well-to-do to the poor. It is probable, however, that the great bulk of the wage earners are influenced by the most prosperous wage earners far more than by the professional and business classes. For example, most workmen are probably little influenced by the use of automobiles by merchants or physicians. But as soon as bricklayers or plumbers or other better paid wage earners become car owners, they become intensely interested in acquiring cars. They look upon the bricklayer or the plumber as one of themselves and what he has, they expect to have also. It is probable, therefore, that unions, through raising the wages of a small aristocracy of the working class, raise the standard of living of the entire class, diminish the birth rate, reduce the future supply of labor, and thus raise wages a generation hence.

Labor organizations also influence wages through their influence upon savings. The savings of the community may be divided into three principal parts: those made by business concerns; those made by wealthy individuals; and those made by the less well-to-do. Business establishments and wealthy individuals naturally save a much larger proportion of their income than the less well-to-do. In so far as the pressure of unions for higher wages accelerate technical progress and increases the output of industry, it naturally increases the rate of saving. This

increases the investment of capital in industry and tends to raise wages. In so far, however, as unions achieve higher wages at the expense of business enterprises or wealthy individuals, they tend to diminish the rate of saving, because the dollars received by wage earners are less likely to be saved than those received by business concerns or the well-to-do. The immediate effect upon wages will be extremely slight. Nevertheless, if each year slightly less capital is invested in industry, the time will eventually come when the amount of equipment per laborer and, in consequence, the productivity and the wages of labor are less than they otherwise would be.

A. G. POOL¹

The "Economy of High Wages"

The "economy of high wages" is a concept with which economic writers have long been familiar. But its recent elevation to the status of a "gospel" during the period of post-war prosperity in the United States has led to a revival of interest in its implications and limitations. The case for "high wages," or, more accurately, for a deliberate policy of raising wages in times of prosperity and resisting wage cuts in times of depression, is based on [these] main arguments:

(1) Higher wages may result in such an improvement in the efficiency of workers that wage costs per unit of output are reduced.

¹ From A. G. Pool, *Wage Policy in Relation to Industrial Fluctuations*, by permission of The Macmillan Company, publishers, London, 1938, pp. 16-34.

(2) Higher wages may stimulate employers to introduce improved methods of production which have the effect of reducing wage costs sufficiently to compensate for the higher wage rates. . . .

The influence of wages on the efficiency of workers. The first of these arguments, which has been described by Nicholson as "the most important principle of political economy," has long been part of the stock-in-trade of the professional economist. It was concisely stated by Adam Smith as follows: "The liberal reward of labour, as it encourages the propagation, so it increases the industry of the common people. The wages of labour are the encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives. A plentiful subsistence increases the bodily strength of the labourer, and the comfortable hope of bettering his condition, and of ending his days perhaps in ease and plenty, animates him to exert that strength to the utmost. Where wages are high, accordingly, we shall always find the workmen more active, diligent, and expeditious, than where they are low."

This relationship between wages and efficiency holds good, of course, only within certain limits. Once a man is in receipt of the minimum wage required for maximising his general health and strength, further wage increases cannot be expected to enlarge his *capacity* to work, though they may intensify his *willingness* to work. But it is somewhat dangerous to generalise about the psychological effects of wage increases, so much depending on the circumstances of each individual case; whether the increased rate is a time rate or a piece rate, whether the increase removes a sense of grievance which has unconsciously deterred a worker from giving of his best or whether it creates a fresh grievance by being smaller than the increment a man thinks he is entitled to,

whether the increase is obtained under an automatic incremental scale or whether it is given as a specific recognition of efficient service, are all factors affecting the worker's psychological reaction to a rise in his wages. Again, whether a man's physical ability to work is favourably affected by higher wages and how much, must obviously depend on the use to which he puts his additional earnings; whether he spends them in a manner which injures his health, or in acquiring a more adequate supply of the necessities for efficiency.

The experience of a few firms which have been conspicuously successful in combining high wage rates with low labour costs cannot legitimately be used to support the argument that all firms could pursue the same policy with equal success. An enterprising firm which recruits its employees in such a way as to "skim the cream" off the labour market can naturally afford to pay them higher rates than are paid by most other firms; indeed, if it did not pay higher rates it would be "exploiting" its employees (in the technical sense of the term, *i.e.* paying a worker a wage less than the value of his net product).

The influence of wages on the efficiency of organisation. That higher wages may stimulate employers to improve their methods of production, the second of the arguments enumerated above, has not been so widely recognised. By some writers it is regarded as an essential element in any theory of collective bargaining; and it has certainly had a not inconsiderable influence on the decisions of industrial arbitrators and statutory wage boards. Other writers, however, are much more sceptical as to the wisdom of forcing employers to change their methods by making labour relatively expensive; while some hold that the theory of collective bargaining can be exhaustively expounded

without considering at all the possible repercussions of wage variations on the efficiency of entrepreneurs.

The question has recently been brought into greater prominence by Mr. Rowe in his *Wages in Practice and Theory*. He argues that general wage theory should take into account the fact that collective bargaining (in the form of trade union resistance to wage cuts and of pressure for wage increases) affects appreciably the capacity of an industry to pay wages. "Within limits, which are probably in most industries, and at most times, appreciably wide, an increase in wage rates, if it is maintained for a reasonably long period, is more than likely to generate sufficient improvement in the efficiency of production to pay for itself, in the sense that though the first results will be some unemployment, and some reduction of the National Dividend, the ultimate result will be the reabsorption of these unemployed workers, and an increase in the National Dividend." Similarly, a refusal to accept wage reductions when profits are declining obstructs what would otherwise have been the employers' line of least resistance and compels them to look in other directions for ways and means of reducing costs. In short, if trade unions are willing to accept low wage rates, then low wage rates will continue to prevail, because employers will not be under the necessity of bestirring themselves to adopt methods which would enable them to pay higher rates. The pressure of competition alone, he claims, is not enough either to ensure the rapid adoption of the most efficient methods of production already available or to maximise the rate of new invention; it needs reinforcing by a constant pressure to raise wages. His argument thus leads him to the conclusion that "trade unions ought consciously to try and keep wages not in exact adjustment with,

but a trifle above, the current marginal productivity equivalent."

Hence under given conditions of consumers' demand, of knowledge of technique, and so on, there may exist, according to this line of argument, several equilibrium levels of wages in an industry; whether the highest or lowest of these actually prevails depends on the degree of pressure that trade unions are able to bring to bear on employers. Mr. Rowe is careful to point out that there are limits to the possibility of raising wage rates, without causing permanent unemployment, through this policy of stimulating employers. If wage rates are maintained at too high a level, so that employers are either unable or too discouraged to bear the burden, trade-union pressure may fail completely to stimulate their efficiency, and serious unemployment must then arise.

The limits within which wage pressure may raise wage-capacity. But it is one thing to state in general terms that resistance to wage reductions and insistence on wage increases tend, within limits, to increase the capacity of industry to pay wages; it is quite another matter to estimate the potential force of this tendency and to calculate precisely what degree of rigidity of wages or of trade union pressure will give the best results ("best," *i.e.* in the sense of maximising the real national income, after allowing for the loss of production caused by any temporary unemployment due to the higher wages, and the gain to production in the long run through the consequent introduction of improved methods). Yet if trade unions are successfully to pursue the policy advocated by Mr. Rowe, it is of the utmost importance that they should be able to estimate more or less accurately the "optimum" degree of wage pressure to apply, for any falling short or exceeding of this "optimum" must result in a

failure to achieve the maximum possible real income, or even in the production of an absolutely smaller real income than would have been forthcoming if no wage pressure of any kind had been applied.

An examination of the various factors affecting this "optimum" degree of wage pressure in a given industry suggests that, though the limits within which this policy can be successfully pursued cannot be accurately determined, nevertheless, in most cases they are likely to be very narrow.

(1) *Alternative means of escaping from wage pressure.* In the first place, employers who fail to secure normal profits owing to inability to cut wages in a depression or compulsion to pay higher rates, may nevertheless take no steps to increase the efficiency of their businesses because they find it easier to follow other avenues of escape from wage pressure. They may concentrate their energies on securing a protective tariff, or, if they already have one, on increasing it; or they may agitate for a subsidy, a compulsory restrictive scheme or other forms of State assistance to help them out of their difficulties. If they live in an age, like the present, when governments have ceased to believe in the virtues of unrestricted competition and the survival of the fittest in industry, and are willing to give a helping hand to any industry of "national" importance that finds itself in difficulties, they may find government assistance a less arduous and therefore more attractive way of escaping from wage pressure than overhauling their technique and organisation. Alternatively, if they feel that very little is likely to be provided in the way of government assistance, they may resort voluntarily to semi-monopolistic schemes for raising prices by restricting output or allocating markets. None of these methods of escaping from the pressure of high wages is calculated to increase the efficiency of in-

dustrial organisation; the reverse is much more likely to be the case, in so far as such methods delay the elimination of inefficient firms.

The most obvious alternative to the introduction of improvements in technique and organisation is to pass the pressure of higher wage costs on to purchasers in the form of higher prices. If the demand for the product of a particular industry is highly inelastic, employers may be able to do this without appreciably reducing either their profits or the volume of employment in that industry. But it must be remembered that, although workers in the industry in question may find themselves better off in wages and but little worse off in employment, the rise in the price of their product must have the effect of creating unemployment or lower real wages in other industries.

(2) *Substitution of labour-saving methods.* Secondly, if trade-union pressure succeeds in raising the price of labour in an industry, relatively to the prices of the other factors of production, the improvements employers are most likely to make will be of the "labour-saving" kind; i.e. they will now have a greater preference for methods which require the employment of smaller amounts of labour and larger amounts of other resources per unit of output. Such a substitution of other factors for labour, induced by a relative rise in the price of labour, is calculated, in the absence of any counteracting influences, to create not temporary but permanent unemployment. Admittedly, "labour-saving" improvements are not the only kind available to employers harassed by wage pressure; but they are certainly the kind which will have a very special attraction for them in their search for means of reducing labour costs.

(3) *The transference of output to the more efficient firms.* Thirdly, it is sometimes argued that a rise in wage rates may

increase the wage-capacity of an industry by forcing the least efficient firms out of business, transferring their output to the more efficient, and thus enabling the latter to reduce their average costs of production (on the assumption, of course, that they are producing under conditions of diminishing average costs). Now, if the rise in wages is to create no permanent unemployment in the industry, the output of the efficient surviving firms must expand by at least the amount of the lapsed outputs of the inefficient liquidated firms (assuming, of course, as is reasonable, that this transfer of output causes no increase in the quantity of labour employed per unit of output). If the industry is to produce an undiminished output there must be no rise in the selling price of its product, which means, in turn, that there must be no rise in the marginal costs, in spite of both higher wages and greater output, their marginal cost curves must still be falling for the range of output in question.

But under perfectly competitive conditions there can be no equilibrium in an industry as long as marginal costs are still declining for any of the competing firms; any firm with falling marginal costs would inevitably, under keenly competitive conditions, continue to cut its prices and expand its output, until either it monopolised the whole industry or its marginal costs ceased to diminish. Hence the continued existence of keen competition in an industry justifies the presumption that none of the firms in it has a falling curve of marginal costs; in which case a rise in wages that has the effect of transferring output from the less to the more efficient firms must nevertheless tend to raise the marginal costs of the latter above the level prevailing when their output was smaller, and wage rates lower, with the result that the total output of the industry will be

reduced and permanent unemployment must arise.

The preceding argument, however, cannot be used so confidently when conditions of imperfect competition prevail, for there is no necessary equality between the selling prices and marginal costs of individual firms in these circumstances; hence one cannot assume without further investigation that a rise in wages which transfers demand to the more efficient firms, but at the same time raises their marginal cost curves, will necessarily compel them to raise prices and curtail the total output of the industry. The conditions in which simultaneous increases in the cost curve and the demand curve for the output of an individual firm will nevertheless lead to no rise in price are qualitatively the same as those in which an increase in the demand for the output of a single firm will, in the absence of any change in the marginal cost curve, lead to a decrease in price. These conditions are briefly as follows:

(i) When the marginal cost curve is falling (which is compatible with equilibrium when competition is imperfect), an increase in demand will lead to a fall in price, provided that the shift of the demand curve does not reduce the elasticity of demand at the original prices sufficiently to offset the falling marginal cost.

(ii) When marginal costs are constant, an increase in demand will lower the price, provided that the shift in the demand curve results in some increase in the elasticity of demand at the original price. The greater the increase in this elasticity the greater will be the reduction in price.

(iii) When the marginal cost curve is rising, an increase in demand may nevertheless lower the price, provided that the shift in the demand curve increases the elasticity at the original price so as more than to offset the increasing marginal cost.

However, since we are concerned here with the case in which one firm enjoys an increased demand through the elimination of some of its competitors, the conditions affecting total demand remaining unchanged, there is no reason for thinking that the new elasticity of demand at the original price for the output of a single firm will have increased. It is much more likely, in fact, to have fallen, owing to the increased imperfection of competition. The second and third of the three possible cases in which the transfer of demand might involve no rise in price or reduction of output are, therefore, effectively ruled out. And, if the new elasticity at the original price falls sufficiently, the transfer of demand may cause price to rise and output to fall even though the marginal cost curve is still falling.

It must be admitted, however, that under conditions of imperfect competition there is a theoretical possibility that a rise in wages, by transferring demand to the more efficient firms in a trade, may involve no rise in price and no contraction in output. In favourable circumstances, which are likely to be rare in practice, it may even lead to a fall in price and an expansion of output. But against this possibility must be set the probability that the more efficient firms, to which output is transferred, will employ more highly mechanised processes than the less efficient, in which case the maintenance of the total output at its old level would not prevent unemployment from arising.

(4) *The effect of wage pressure on investment.* Finally, the dangers of checking investment by exerting too much wage pressure must be borne in mind. Three cases can be distinguished.

(i) If efficiency wage rates are raised in a single trade, so as to bring the prospective rate of profit on capital below the level obtainable in other industries, not only will no new investment be under-

taken in that trade, but in the long run entrepreneurs will fail to renew part or all of the existing capital; and any failure to keep the existing capital intact must have an adverse effect on employment in that trade.

(ii) If efficiency wage rates are raised in all industries within a single country forming part of an international system, profit margins must narrow, since prices in that country will remain unchanged at the international level (this is true, strictly speaking, only of commodities capable of entering into international trade). Now the volume of new investment in a country as a whole depends on the amount of new capital expenditure which is expected by investors to yield net returns at least equal to the current rate of interest. Any general narrowing of profit margins through a rise in wage rates must, therefore, tend to lower the rate of investment, assuming the rate of interest to remain unchanged. And a general decline of investment in a country brings in its wake a shrinkage of aggregate output and employment.

(iii) If efficiency wage rates are raised in all industries within a "closed" system, then, assuming no change in the effective supply of money in circulation and therefore no change in the general level of prices, there will be a general contraction of profit margins, with the same consequences as in the previous case.

Theoretical analysis thus enables us to state in general terms the limitations within which a rise in rates of wages above the current marginal productivity equivalent may possibly induce employers to improve their organisation and methods, so as to be able to pay these rates without causing any permanent unemployment in the process. But it must be frankly admitted that, in the present state of our knowledge, the economist could give very little practical guidance to a

trade union which wished to estimate the most desirable degree of wage pressure to apply to entrepreneurs. Some of the factors involved can hardly, in the nature of things, be estimated quantitatively, *e.g.* the extent to which human inventiveness can solve the problems of technique and organisation created by the increase of wage rates, or the chances that entrepreneurs will avail themselves of other means of escaping from wage pressure. Other factors, however, are capable of quantitative expression, *e.g.* the elasticity of substitution of labour, marginal revenue and marginal cost functions, but the inadequacy of the data at our disposal makes it impossible to estimate them with anything approaching accuracy.

Nevertheless, it would appear very doubtful, on general grounds, whether Mr. Rowe is entitled to assert that the limits within which the policy he advocates can be safely pursued "are probably in most industries, and at most times, appreciably wide." The fact that the improvements induced by such a policy will almost certainly be mainly of a "labour-saving" kind, the existence of alternative means of escape, which are nowadays positively encouraged by most governments, the difficulties of raising efficiency wages with impunity in a country with a fairly extensive foreign trade, and the unlikelihood, in a generally competitive regime, of a rise in wages transferring output to the more efficient firms without raising prices and reducing output, all suggest, on the contrary, that these limits will be exceedingly narrow.

Finally, there is the certainty that if these narrow limits are exceeded investment will shrink, and, in consequence, general economic activity will undergo a contraction. The deliberate harassing of employers by wage pressure would thus appear to be a weapon of very doubtful utility; it is more likely than not to re-

bound and injure not only the organisation of wage-earners wielding it, but also the community at large.

Any inductive investigation of the effects of wage pressure on the efficiency of entrepreneurs and on unemployment would appear to be virtually impossible, owing to the difficulty of isolating this particular factor from all the others which may possibly affect technical progress and unemployment. In theorising it may be a simple matter to distinguish between "autonomous" inventions and those which are "induced" by changes of relative factor prices; in practice it is very difficult to classify them in this way. It is usually almost impossible to say whether an invention was made solely in response to a change in relative factor prices, whether its conception was merely accelerated by this change, or whether it had no connection whatever with the change. Again, it is practically impossible, owing to the complexity of the influences affecting the employment situation, to determine by statistical investigation whether the policy of deliberately applying wage pressure has been carried too far in a particular trade. The appearance of abnormal unemployment in an industry with rising wage rates does not establish conclusively a causal relationship between the two; it might conceivably be argued that, in the absence of the stimulus to efficiency provided by rising wages, the other factors at work, *e.g.* a decline in the demand for the industry's product, might have created an even larger amount of unemployment. Neither, on the other hand, does the association of rising real wages with an absence of unemployment in a particular trade necessarily demonstrate that the policy has not been pushed too far; the unemployment caused by too high a wage level does not necessarily arise in the trade where the high wages prevail.

It is commonly argued that experience

with minimum wage legislation has provided substantial evidence as to the soundness of the policy of applying wage pressure to entrepreneurs. And certainly all who have investigated the economic effects of the British Trade Boards system appear to be agreed that the substantial rises in wage rates effected by the Boards have not had the ruinous effects that were forecast; that they have been partly responsible for an appreciable improvement in the general level of efficiency in these trades; and that, in consequence, their wage-capacities have increased sufficiently to prevent any undue unemployment amongst the workers attached to them.

But even assuming it to be the case that the activities of these Boards have caused no unemployment either in the trades concerned or elsewhere, due consideration must be given to the fact that certain features peculiar to "sweated" and unorganised trades may render successful a wage policy which would produce unemployment if pursued in other trades. There are two features of these trades which are specially significant in this connection. Firstly, some of the employers in "sweated trades" may be "exploiting" their workpeople (in the sense of paying them lower wages than their full marginal

productivity equivalent). Where exploitation is present, the raising of wages up to the level of marginal productivity need cause no unemployment. Secondly, in these trades there is usually a considerable diversity of wage rates as between different firms, owing to the complete lack or feebleness of trade union organisation. The effect of minimum wage legislation has been, generally speaking, not to raise wage rates for all employers, but to introduce a greater standardisation on the basis of what the "more reputable employers" are already paying. In a case of this kind, the less efficient firms may be able to meet their increased wage costs by adopting technical and organisational improvements which have already been successfully introduced by the more enterprising firms. They are not confronted with the much more difficult task of *inventing* new methods which will enable them to maintain their profits in spite of the higher wage rates. We must, in short, distinguish between the extension throughout a trade of existing improved methods, in consequence of the standardisation of wage rates, and the invention of standardised rates; the latter, naturally, being much more difficult of achievement than the former.

Section V

THE INTEREST
OF THE COMMUNITY

23. Wages and the National Income

THE SHARE of wage and salary earners in the national income has been roughly two thirds in recent years. It has been a goal of organized labor to raise its relative share. Two arguments support its claim. One is that labor constitutes the lower income group in the population and is equitably entitled to a larger claim on national output. The other is that by raising the share of labor more purchasing power will be placed in the hands of the people who will spend it and thus assure prosperity. The first appeals to equity. The second to the desire for full employment.

Can unions increase the share of labor? Labor's percentage was less in the period of full prosperity after World War II, when organized labor was far stronger, than in the depths of the depression in 1932. Labor's relative share has gone up during depression and down during prosperity, when farmers and businessmen have had their shares increased. The only proved way of increasing labor's share has been through depression. This suggests that unions do better to direct their attention toward the absolute amount of real wages and salaries than toward labor's relative share. Labor's absolute share generally increases with the rise in the nation's share.

The traditional union method of trying to raise labor's share has been through wage advances. In a period of inflation, this may only increase inflation and actually reduce labor's share. In a time of deepening depression, such a policy might encourage further layoffs, and, while the resulting decline in business activity might raise labor's relative share, it would also reduce its absolute share. On other occasions it might raise labor's share, but, in any event, it is not a universally valid technique. If government were guaranteeing full employment and controlling prices, unions presumably could, if free to do so, raise labor's share by increasing money wage rates. In the absence of that, organized labor apparently is wiser to concentrate on policies which will lead to full employment without inflation, since labor's absolute share would then be largest, regardless of its relative share. In the long run, through progressive taxes and government welfare programs, the share of labor may be more effectively increased than through demands primarily for higher wage rates.

Trade-union programs can affect the size of the national income in several ways. One is through the impact of wage policies on the business cycle, which is the

subject of the succeeding chapter. Union policy, also, can discourage investment by raising costs and prices to unduly high levels—for example, in the home construction industry; or by persuading entrepreneurs that the fruits of any new investment would be shortly plucked by labor, leaving management only the risk. At the same time, as stated in the previous chapter, higher wages may spur industry on to find new and more efficient machinery or methods to offset the augmented labor costs. Such innovations, however, are on occasion delayed in their introduction or prohibited altogether by barriers erected by the unions.

Policies of organized labor also affect the allocation of human and other resources. Direct limitations are sometimes placed on access to trades, or indirect barriers to increased employment are erected by high wage rates. This may hold some workers in employments where their value productivity is less than if they were shifted to the more remunerative jobs. Union restrictions may in various ways impel management, on the other hand, to become more efficient and offer an added stimulus to effective operation. Feather-bedding and other limitations on production, however, tend to offset such gains. The combined effect of these divergent forces on national output is not known specifically nor can these policies be judged alone by their impact on production.

A somewhat separate problem is the distribution of gains from increased productivity. In the decade from the middle 1920's to the middle 1930's, workers gained in leisure and, as consumers, through lower prices, but not in money income. What proportion of gains should go to the investors who supply the capital, the managers who make the decisions which result in greater production, the workers who are engaged in turning out the product, or the consumers who purchase it? What effects will future technological improvements have on the income of labor? Will capital become more plentiful and its per unit return go down, or will labor be displaced in sufficiently large numbers to depress its wages, or the reverse?

The policies of labor and management need to be tested against their contribution to the national product and its equitable distribution. The public interest in industrial relations is in part directed toward their effects on the volume and quantity of goods and services produced, and on the distributive shares. The proportion wages form of the total income influences the part of that income available for buying goods and services and the part available for improving the tools of production. Some combination will result in the maximum increase in the flow of products to the market. Wages, through their function as purchasing power, determine the degree to which individuals can afford that plane of living which maintains and improves their physical and psychological powers. The distribution of the wage bill among jobs affects the way workers are distributed in the several areas of production through the differentials provided for the various occupations and industries, a fact which results in larger or smaller total production according to the efficiency of the distribution. The level of living for con-

sumers is determined ultimately by the quantity and quality of goods and services produced, and labor's share and the internal distribution of that share influence that level. Labor's share and its distribution also affect the degree of social stability or of social dissatisfaction and unrest. If the latter prevail, economic processes also will be reduced in efficiency. It is hard to rake leaves in a wind storm. Standards of social justice do exist, and wage levels or wage policies may be consistent or inconsistent with them. Such considerations cannot be calculated in any wage formula, but they make themselves felt as determinants of the reaction of the public to specific wages and wage policies. Some optimum national output, some optimum share for labor, some optimum distribution of that share exist, but their definition is as difficult as their attainment.

CLINTON S. GOLDEN
and HAROLD J. RUTTENBERG ¹

. Distribution of Earnings

A prime objective of collective bargaining is the redistribution of the proceeds of production.

Of all the motives for union membership the economic one is the most difficult to satisfy. It is the ageless story of the people at the bottom of the economic ladder, seeking more of the necessities and some of the finer things in life. The economic objective of organized labor is not higher hourly wage rates, but a higher plane of living for workers. Raises in hourly earnings are pursued as a means of redistributing the proceeds of production, of distributing to workers, who make up the bulk of the population, a larger share of industry's income. Thus workers' wage demands, based on the contention that the fruits of industry are divided inequitably between owners and workers, constitute

a constant pressure for a larger share of the nation's annual income.

Industry, as represented by management, has an entirely different objective. It is higher profits. To achieve it, management, of necessity, tries at least to preserve the present division of the proceeds of production every time organized labor secures a wage raise. This is done by the use of two powerful weapons. One is the freedom to cut costs by the introduction of technological changes, and the other is to nullify each redistribution of industry's income that organized labor achieves through wage raises by passing the cost of it on to consumers in higher prices. The history of wages, prices, and technological changes in the steel industry from August, 1936, to September, 1939, graphically illustrates the basic conflict between the objectives of organized labor and those of management in collective bargaining. . . .

Within two years after SWOC redistributed one hundred and sixty-eight million dollars of the steel industry's annual income, the industry recaptured it. The irony of this development is that these effects of technological changes had been set in motion before the birth of the

¹ By permission from Clinton S. Golden and Harold J. Ruttenberg, *The Dynamics of Industrial Democracy*, Harper & Brothers, New York, 1942, pp. 151-74.

union, and their consequences would have been even more disastrous if the union had not raised wages as much as it did in 1937. Remembering this remarkable feat of steel management, SWOC officials discounted both management's and government officials' claims that another ten-cent-an-hour raise was unjustified in the light of the 1937 ten-cent wage raise, and that such a raise in 1941 would result in an inflationary panic. This view was all the more untenable when it is remembered, also, that hours per week were cut from forty-eight to forty in 1937, and still, by September, 1939, the industry could produce as much steel as in 1936 and with thirty thousand fewer workers—when the purpose of the seventeen per cent cut in the work week had been to spread employment. Suggestions that wages be tied to a cost-of-living index—assuming an accurate one could be developed—or to prices, or to the rate of production, therefore, are promptly rejected by organized labor because, in reality, they would result in thwarting the redistribution of industry's income. To tie wages to any of these indices would tend to freeze the present inequitable distribution of industry's proceeds of production. . . .

Organized labor's obligation to its members is to pursue wage increases until the plane of living of American workers is raised, as high as economically feasible, and the national annual income is distributed equitably and stays so distributed.

It has become evident to organized labor that the discharge of this obligation is impossible as long as union-management relations are confined to the level of the individual plant and competing company. How can the real wages of workers be raised permanently? What should be the share of the national annual income that goes to wage earners? How should it be determined? What is the highest econom-

ically feasible plane of living for workers? How is it to be determined? Is inflation to be fought by restricting wages, or by raising production so that there will be sufficient goods to be purchased with higher wages? How are the interests of consumers to be protected? These and other problems cannot be handled adequately in conferences between individual unions and companies; they require the cooperation of national unions in conference with equally representative organizations of management in the respective industries. . . .

The share of the proceeds of production going to workers is distributed, not only through wage payments, but through vacations with pay, shorter hours, and better conditions of work. Except for vacations these instruments to distribute the earnings of a productive enterprise are not designed to raise the income of workers already employed. Their primary purpose is to raise the plane of living of workers as a whole by spreading employment. Time and one-half for overtime, for example, is a measure to enforce the agreed-upon work week and workday. . . . It is not a means of distributing earnings among workers.

The proceeds of technological changes, laborsaving machinery, and other factors contributing to lower unit costs of production should be shared equitably between owners and workers.

In its handbook *Production Problems* SWOC endorses the principle that owners and workers should jointly participate in savings resulting from mechanical or other technological changes. This is a hard principle to work out practically, since it is so difficult to measure the actual savings of such changes and to devise methods for distributing to workers their share of the savings and to preserve for later distribution to owners their share. . . .

MATTHEW WOLL :

Labor's Wage Theory and the National Economy

American labor has been saying for a great many years that the way to achieve a measure of well-being in our national economy is through raising the purchasing power of the workers. We have insisted that the only basis for mass production is mass consumption. This is the doctrine of high wages, which has now become the characteristic doctrine of American labor. Stated simply, labor's theory of wages asserts that in our domestic economy if workers are to buy the products of their labor, wages must increase in proportion to productivity. In the years that have elapsed since labor affirmed this as a basic economic philosophy, we have witnessed the peak of American prosperity in the decade of the twenties and as well the depths of the greatest depression since the Civil War. The soundness of labor's wage theory in both periods is fully demonstrated. What labor championed years ago as a sound economic concept is now recognized by economists and industrialists as the basic condition of national well-being. What is more, the very condition of recovery from the depression lies in putting into effect this productivity theory of wages. . . .

This, then, is the heart of the matter: that the bulk of our purchases of goods and services comes from the people in the low income group. When it is realized

that the average wage in the United States is approximately \$20 a week and that that, therefore, represents the income group whose annual earnings are vastly less than \$2,500, we see how urgent is labor's principle that unless wages are increased in proportion to production, the whole economy of the nation is set violently askew. Labor stands not merely for higher wages, but for wages which increase in proportion to productivity, for unless that happens labor, which represents our great consumer as well as our greatest producer group, will find itself progressively less and less able to purchase the goods which it has produced. . . .

One may rightly assert that the unjust and the uneconomic distribution of the national income is the fundamental cause of most of our other economic ills. This is a condition now recognized not alone by radicals, discontents, and the leaders of mass movements, but by the opinion of the nation as a whole, the majority of all its leaders outside of business, and even by a large and growing contingent within the business world. . . .

The conclusion is unavoidable that the failure to raise purchases in proportion to productivity was the chief contributing cause of the present depression and unemployment and must remain the chief cause of further unemployment and of new depressions. Moreover, the inadequate wages and inadequate incomes of the great mass of salary earners and farmers account for an ever larger deficit in purchasing power.

As labor faces the future and recognizes the inevitable development of our technology, with the vast increase of productive capacity which is immediately realizable, labor is doubly conscious that the economic philosophy which it promulgated years ago demonstrated its sound-

¹ From *Labor, Industry and Government* by Matthew Woll, copyright 1935 by D. Appleton-Century Company, Inc., reprinted by permission of Appleton-Century-Crofts, Inc., New York, pp. 146 ff.

ness not only in the period of our prosperity but in the period of adversity as well. Labor is of one mind in the feeling that a recovery of economic balance, a stabilization of our economic life, will come only as this theory of wages becomes not only the principle, but the practice of our American economy.

MAURICE DOBB¹

Wages as a Proportion of Total Income

It has often been maintained . . . that as capitalism develops, the share of the product which goes into wages is likely to decline; since this will tend to be the effect of the progressive introduction of labour-saving machinery, and since technical change over the past century and a half has been predominantly of this type. Just as between different industries in the same country the total wages-bill as a percentage of the product of industry is apt to be high where the work is mainly manual labour and low where a large amount of mechanical horse-power is employed per man; so one might expect the share of wages in the total product to be lower in countries where production is more highly mechanised than in countries at a more primitive technical level.

Again, one might expect labour's share in the total product to be subject to influences in the labour market such as the plentifulness or scarcity of labour, and bargaining power; since these influences affect the price which wage-earners are able to obtain for their labour-power. The

larger the reserve of labour at any time or place, the more will the labour market tend to be a "buyers' market," and the share of labour tend to be small. Where, on the contrary, labour-power is scarce, relatively to the demand for it; where there are relatively few barriers to prevent labourers from setting up as farmers and artisans or small employers on their own; or where wage-earners are strongly organized in trade unions, one might expect labour to succeed in obtaining a larger share of the product than elsewhere. Other factors which may exert a powerful influence are the growth of monopolistic organisation in industry, a large export of capital to colonial areas where cheap labour and natural resources are plentiful, or opportunities for the importation of cheap food supplies which increase the purchasing power of a given money-wage.

What is surprising is that the available statistics of wages as a proportion of the national income seem to show a quite remarkable stability in this proportion, both over short periods of time (such as the duration of a single trade cycle) and over longer periods. The stability is so remarkable as to have caused some persons to treat it as virtually an economic law of modern capitalist societies that the share of wages can never rise above a certain amount, even though the bargaining power of wage-earners is progressively strengthened by the growth of trade unions. The estimates of Dr. Bowley, the statistician, show that wages as a proportion of the net home-produced national income (i.e. excluding income from abroad) were approximately 38 per cent in 1880 and 39 per cent in 1913. The highest level which they had reached over the intervening period was 41 per cent in the first half of the 1890's. In 1925 this

¹ Maurice Dobb, *Wages*, James Nisbet and Company, Ltd., London, 1946, pp. 20-24.

figure had risen to 42 per cent, to fall again to 39 per cent in the middle 1930's. On the eve of the Second World War it was between 39 and 40 per cent; and, if we exclude the pay of the armed forces from both the wage-bill and the national income, this proportion rose in the war years to no more than 41 per cent (the figure for 1943 and 1944). A somewhat different classification has been made into incomes from work (a category which includes incomes from professions and part of profits and is considerably wider than what can be classed as wages for our purpose) and incomes from property; and Dr. Bowley has estimated that the latter composed 37½ per cent of the total national income in 1880, fell to 35.36 per cent by the end of the century, and then rose again to 37½ per cent by 1913. As regards the U.S.A., some estimates of Dr. King show that the relative share of wages in the net national income rose from just under 38 per cent in 1909 to just over 40 per cent in 1925; and using some figures of the American statistician Dr. Kuznets, the share of wages in the gross income produced in private industry (i.e. excluding government services) has been calculated by Dr. Kalečki as having been 37.2 per cent on the average of the first half of the decade of the 1920's, 36.5 per cent between 1925 and 1929, and 35.8 per cent in the first half of the 1930's. The apparent steadiness of these figures may be, however, a coincidental outcome of a number of influences operating in different directions: for example, shifts in the relative weight of different occupations, in each of which wages represent a different proportion of the net output; these shifts obscuring the influence of more general factors which are at work to raise or to lower labour's share in the net output of each separate line of production. Some

writers, again, have laid emphasis on the degree of monopoly in the economic system . . . as the main determinant of the distribution of income between different income-classes in the modern world; and have suggested that the tendency for a growing degree of monopoly in the economic system at large to reduce the share of labour may have been offset by the action of other factors (partly fortuitous factors), the influence of which has been in the opposite direction.

Some estimates indicate that the share of wages in the *net* output of *manufacturing* industry shows more variation than the share of wages in the national income as a whole; as does also the share of wages in the net output of individual industries. For U.S.A. two recent authorities have calculated the percentage which wages bore to the "value added by manufacture" as having been 51 per cent in 1849 and only 39 per cent in 1927. There seems to be some evidence that this percentage declined throughout the 1920's and continued to do so up to 1933, after which it rose again a little in the years of President Roosevelt's New Deal; and that in Britain, where it has been somewhat higher than in either U.S.A. or Germany, it has shown a tendency between the wars towards "a slow but steady decline." The share of "salaries" as distinct from "wages" in the national income has shown a marked increase from about 15.6 per cent in 1911 to 25 per cent in 1935. Part of this increase is due to the growing importance of clerical workers and of technical grades in modern industry. But the major part of it apparently represents an increase among the higher categories of salary-earners, which may be due to the progressive supersession of the independent employer by the salaried manager of the large concern.

JOHN T. DUNLOP¹

Cyclical Variation of Labor's Share in National Income

A prominent strand in trade-union pronouncements and folklore on wage policy, amplified by the CIO in particular, was shown to be the objective of securing a larger share of the national income for wage earners. . . . The end is to be achieved within the pricing mechanism by securing higher rates. The main stream of economic thought, on the other hand, has no doubt regarded the manipulation of the wage rate inappropriate to the objective; inheritance and income taxes are the approved media of affecting the distribution of real income.

Professor Taussig in the 1928 Wertheim Lecture Series agreed with "those who contend that the mere matter of wages is not likely to be greatly affected one way or the other by the presence or absence of unions. . . . Economists would agree . . . in saying that for the material prosperity of the great mass of workmen it makes no great difference in the long run whether there is closed shop or open shop, militant union or peaceful company union; while yet they would agree that there are periods of considerable length when the wages of a particular trade or group may be kept higher by union strength." While the rate could be forced above the competitive wage in sections of the system, resulting in some higher individual incomes, the inference must be that the

share of wage earners as a group in the total income could not be raised. . . .

This section has outlined a number of definitions of both "income" and the return to "labor"; the combinations yield a great many concepts of "labor's share." A survey of the size and cyclical pattern of fluctuation of these shares indicated that some of the distinctions are of minor quantitative importance. Although the share of wages and salaries and total employee compensation in net income were both higher than in wages, the cyclical patterns of all three were similar. The share rose sharply in deep depression; in fact only major cyclical swings appear to influence substantially any share estimates. The most striking contrast exists between the share in aggregate payments to individuals or income paid out and the share in net income. The share in income payments remained virtually constant or declined slightly, depending on the precise concepts involved. The addition of government contributions to labor receipts and income raises the problem of the method of valuing government services. Furthermore, as government originating income increases in relative importance, labor's share in the system rises since the participation of labor in government income has been higher than that of most other sectors.

SPURGEON BELL²

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¹ From John T. Dunlop, *Wage Determination under Trade Unions*, copyright 1944, by The Macmillan Company, publishers, and used with their permission, pp. 149, 163.

² Spurgeon Bell, *Productivity, Wages, and National Income*, The Brookings Institution, Washington, D. C., 1940, pp. 178-84.

Productivity, Wages, and National Income

The title of the volume itself is used as a heading for this concluding section of the analysis because it is now necessary to relate the findings to the central problem with which the book as a whole is concerned, namely, the relations between technological improvements, wages, and aggregate national income.

An increase in productivity means, as we have seen, that economies have been effected in the carrying out of productive operations. These economies at the moment of realization are only *potential* gains in terms of the output of goods and services. That is to say, they make possible a greater volume of production of goods and services; but whether such additional national income will actually be produced is dependent upon whether the economic system is so operated as to bring about the increased output that is possible. The problem now to be considered is whether the way in which the savings in costs of production have been utilized may have affected the volume of production and employment.

In discussions of the problem of labor displacement as a result of technological improvements, it is frequently contended that permanent unemployment will ensue unless money wages are raised to the full extent of the increase in productive efficiency. Such a policy is held to be necessary in order to provide the national purchasing power which will call forth an expansion of output and provide additional employment. Labor organizations have naturally sought to obtain in the form of higher money wages as large a proportion of the savings from increased efficiency as is possible. Moreover, bills have been introduced in Congress pro-

viding for advances of wages in direct proportion to increases in productivity.

As a basis for the discussion of this issue, we start with the following facts, which have been disclosed by the investigation. First, productivity in the industries covered has shown a remarkable increase during the last 20 years. Second, hourly earnings (in money terms) have increased materially but not in proportion to productivity. Third, the volume of employment remained practically stationary in the twenties and declined materially in the thirties, accompanied by a decrease in the weekly and annual earnings of labor.

Can the restriction of employment be explained by the fact that hourly earnings were not increased in proportion to productivity? The validity of the view that purchasing power would be increased and maintained if the hourly earnings of labor were increased in proportion to productivity may best be tested by means of a concrete illustration. Let us assume that in a given manufacturing establishment productivity is increased by 50 per cent without any increase of investment. As a result it is possible to produce the same volume of product with 1,000 fewer workers. The discharge of the 1,000 workers means, let us assume, a payroll saving of one million dollars, which is added to the wages of those remaining in employment. Would this generate increased purchasing power?

The arithmetic is that a *plus* one million in purchasing power (in the hands of the employed laborers) is exactly offset by a *minus* million of purchasing power (in the hands of the discharged laborers). The increasing productivity thus furnishes no net addition to the national purchasing power. It will be noted also that the money costs of production are not lowered, since the economies resulting from the decrease in labor

are completely absorbed in raising the wages of those who continue to be employed.

Since the total purchasing power is not increased, no new employment either in this industry or in other industries has been generated as a result of the increase in productive efficiency. If those thrown out of employment are to have any purchasing power, it must be because they are supported either by relatives, friends, charitable organizations, or the government. In the former cases, it is obvious that the purchasing power of their supporters would be reduced by the amount of the support given; and in the latter case it is evident that the nation as a whole through tax contributions would have to provide the wherewithal. This means that in the latter case it would be the employed labor, who pay direct and indirect taxes, together with farmers, salaried workers, and interest- and dividend-receiving groups who would provide the income for the support of the unemployed.

It is apparent, therefore, that an increase in hourly wages in line with increasing productivity serves merely to maintain the *status quo* with respect to purchasing power, and thus to prevent the reabsorption of displaced labor. In summary, this process results as follows: (1) total wage disbursements remain unchanged; (2) the level of prices remains unchanged; (3) the volume of output remains stationary; (4) the national income remains unchanged; and (5) the volume of employment *decreases*. All that has happened is that employed labor has gained at the expense of those displaced. The conclusion, therefore, is that the failure to give all of the savings resulting from increasing productivity to labor in the form of higher money wages does

not explain the restriction of output and employment during the period under review.

If all the savings had accrued to capital, would additional purchasing power have been automatically generated and employment and output maintained? To use the same case as above, if the million dollars of savings were distributed to the owners of capital, the total purchasing power would have remained unchanged; the displaced labor would have had a million dollars less and the furnishers of capital a million dollars more. In this case there might be some change in the way in which the income received was utilized—more might be set aside for investment purposes and less spent for consumption goods; but the total would not be affected.

Would the passing of the savings from increasing productivity to consumers generate an expansion of purchasing power? That is to say, if, instead of giving any of the savings to either labor or capital, prices were reduced to the full extent made possible by the increasing productivity, would output and employment be increased? At first thought it might seem that the transfer of a million dollars of purchasing power from the displaced laborers to consumers, as in the other cases, would leave the situation unchanged. In this case, however, an *inducement* is offered to consumers to buy more of the product in question, thereby tending to prevent any displacement of labor. The lowering of the price is a *positive* measure calculated to bring an immediate stimulus to demand. Such a stimulus is lacking when the only result of increasing productivity is to transfer income from displaced labor to the labor remaining in employment, or to the owners of capital.

It is possible, of course, that the demand for the product of the particular industry in which the increased productivity had

occurred might not be sufficiently stimulated by the price decline to call forth an additional increase in output sufficient to maintain employment in that industry. It will be noted, however, that if all the increased purchasing power were not laid out in this industry it would be available for purchasing other commodities, stimulating employment elsewhere. Thus in either case the total demand would *tend* to be maintained, thereby preventing displacement of labor. It should also be noted that in the case of products, the demand for which is highly elastic, the volume of orders may increase to a much greater extent than the increase in productivity. In this way further expansion of output and employment is stimulated.

To guard against misunderstanding, it should be emphasized that in a complex industrial society the process which we have been describing cannot be expected to work with automatic precision. A reduction in price may not always bring an immediate stimulus to demand either in the particular industry or elsewhere. Adverse factors in the general business situation may complicate the problem. There can be no doubt, however, that the *positive inducement* which the price reduction method offers to consumers generally is a direct and immediate stimulus to increased output.

The foregoing analysis suggests that the distribution of savings resulting from increasing productivity either to employed labor or to capital is not desirable. In the light of this conclusion, the question may perhaps be raised: How, then, are labor and capital to improve their economic position?

Since wage and salary workers and those who contribute capital constitute the great bulk of the consuming population, the greater part of the gains resulting from price reductions of course automat-

ically accrue to them. Labor will also benefit as a result of the maintenance of employment. When the savings from increasing productivity are transferred to employed labor, those remaining in employment may have increased purchasing power; but, as our analysis has shown, this is at the expense of their fellow workers who are displaced, as well as at the expense of the consuming public in general and of the economic organization as a whole.

The long-run interests of the entire laboring population clearly depend upon the maintenance and the expansion of aggregate production and aggregate employment. We have seen from this analysis of the major divisions of American industry that, when the total volume of production increases, the wages share expands, and that when total production is declining the labor share declines.

Capital also tends to gain as a result of the maintenance and expansion of output. As this study has shown, the aggregate returns to capital rise and fall with the volume of production. A reduction of prices which stimulates an expansion of demand is conducive to the full employment of capital and to an increase in the demand for additional capital.

In conclusion it should perhaps be emphasized that it is not contended that a passing on of the benefits of increasing productivity through the medium of price reductions would at all times prevent any unemployment. The economic system is a highly complex mechanism, the operation of which is affected not only by wage and price policies but by numerous other factors as well—including international economic developments and both national and international political trends. These problems lie beyond the scope of the present investigation.

SPURGEON BELL¹

The Distribution of Productivity Gains

As already noted, there was a great increase between 1923-24 and 1936-37 in man-hour productivity in each of the major fields of industry covered—which means that progressively less labor was being required to obtain a given volume of output. The increase in man-hour productivity is presumably attributable chiefly to the installation of *improved* capital instruments and to organizational changes which economize the use of labor. (Greater efficiency on the part of labor may in some cases also have contributed to the process.) It is impossible to determine from any data available the precise extent to which the increased productivity is attributable to one or another of these factors. All we know from the data is that the number of man-hours required to do a given volume of work decreased very materially over the period under review.

It should be carefully noted that an increase in man-hour productivity does not necessarily mean that there must have been a change in the amount of capital investment. Where the increase in man-hour productivity is the result of organizational changes, or harder work on the part of labor, it is obvious that no additional investment is involved; that is to say, the number of workers required to obtain a given result is reduced while the amount of capital remains unchanged. It is also clear that if additional plant and equipment of precisely the same quality as that already existing is installed, no increase in productivity is likely to result.

However, when new machines of superior efficiency are installed the additional capital directly increases man-hour productivity.

The new machines may cost exactly the same as the machines which are replaced; they may cost less; or they may cost more. In a period of generally increasing productivity throughout the economic system, accompanied by a general decline in the level of prices, we should of course expect the money cost of new machines to be declining. The reproduction of machines of unchanged quality would under such conditions cost progressively less. Similarly, improved equipment would cost less than would have been the case in the absence of the general increase in productivity.

In the light of this analysis we may note the conditions under which all the gains from increasing man-hour productivity might be passed on to labor or to the consuming public without lessening the rate of return to capital. It would be possible to distribute all the gains, as measured by man-hour productivity, to labor or to consumers under the following conditions: (1) when all of the increase in productivity is due to internal organizational changes, or greater labor efficiency—which involves no change in total investment; (2) when old plant and equipment are replaced by new and more efficient capital goods, involving no increase in the amount of the investment. It would not be possible, however, to pass on to labor or to the consuming public the full gains from increasing man-hour productivity if the new capital instruments cost more than those which they replaced—without reducing the rate of return to capital.

We may now recapitulate the findings of our analysis with respect to the actual distributions of the gains from increasing productivity in the industries covered. We

¹ Spurgeon Bell, *The Distribution of Productivity Gains*, The Brookings Institution, Washington, D. C., 1940, pp. 175-78.

shall consider first how labor and capital fared and then turn to the gains realized by consumers.

The gains to labor proved to be chiefly in the form of greater leisure. While wage earners obtained progressively higher rates of pay, aggregate money wages nevertheless declined. In the four major divisions of industry combined hourly earnings increased over the period by 11.3 per cent, ranging from 1.7 in mining to 30.2 in electric light and power. In the selected subdivisions the range was from 4.5 per cent in cotton textiles to 23.7 per cent in iron and steel. It is thus apparent that a substantial portion of the gains was expected to accrue directly to the benefit of labor.

But, as we have seen, the man-hours of employment declined, and hence the aggregate money earnings actually decreased. In some cases the *employed workers* received larger actual earnings, but in other cases they received less because of the shortening of the working week to make room for more workers: In such cases the gains realized were obviously confined to more leisure.

The *imputed* gains to labor—taking account of hours worked, as well as rates of pay—amounted to 1,086 million dollars in manufacturing, 150 millions in railroads, and 50 millions in the electric light and power industry. While greater leisure was no doubt desired, it is evident that it was assumed that the increase in wage rates would also result in higher money wages.

The earnings on capital investment declined over the period as a whole. The amount of return on the total capital invested in manufacturing, railroads, and electric light and power industries combined declined to the extent of 392 million dollars. This represented a decrease of 7.7 per cent. The rate of return on capi-

tal (including interest, rent, dividends, and undistributed earnings) decreased from approximately 6.4 per cent in 1923-24 to about 5.6 per cent in 1936-37. This decline is of course not attributable to the increase in productivity. Had there been no increase in productivity the decline in the return to capital might well have been substantially greater.

The explanation of the decline both in aggregate wages and in aggregate earnings on capital is to be found in the failure of output to increase in line with the increase in productivity. The hope of increased wages was thwarted because of the restricted volume of employment. At the same time, capital failed to realize the potentialities for higher returns because of the failure of output to expand.

The gains accruing to consumers from the increase in productivity were very important. The consumer gains were, moreover, gains in terms of real goods and services. Whereas the workers in the main got their gains in terms of greater leisure and the capitalists sometimes (as in the case of the railways) got theirs in terms of smaller losses than would otherwise have been the case, the consumers got more goods for the same money.

The gains accruing to consumers in connection with the purchase of manufactured commodities amounted to 5,055 million dollars. The gains accruing to the consumers of railroad service amounted to 556 millions. The gains accruing to the users of electric current amounted to 463 millions. The aggregate for the three industries combined was 6,074 million dollars. It should be borne in mind that wage and salaried employees and contributors of capital in their capacity as consumers shared in these gains. It should also be noted here that in many cases the quality of the commodity or the service rendered was improving.

J. R. HICKS¹

The Efficient Distribution of Labor

It is a matter of the first importance for the economic organization of a community that its working population should be divided among occupations in an efficient way. This means not only that there should be the right number of workers in each occupation, but also that the qualities of the workers in each occupation should be as appropriate as possible—that people having particular capabilities should be in the positions where they can make the best use of their powers. Now it is obvious that if each person worked in the occupation which he himself preferred to follow, just because he had a liking for that particular sort of work, this desirable distribution would not be reached; there would be far too many people in the more popular occupations, far too few in the unpopular ones. Some sorts of goods or services would be produced in much larger amounts than were wanted, while the supplies of others (some of which might be necessities of life) would be grievously short. The distribution of labour among occupations cannot be left to be settled according to the preference of producers alone; the desires of consumers must also be taken into account. Since every producer is also a consumer, it is to everyone's interest that such an adjustment should be made.

There are two known methods of making the adjustment. One is the method of compulsion. The government may decide that more people are needed to work

in a particular occupation; it may then pick upon certain people and compel them to transfer themselves where it wants them to go. Under the name of conscription, the method of compulsion is widely employed in war-time; it may be the only practicable method of bringing about the immense temporary redistribution of occupations which is necessary to deal with an emergency such as modern war. Nevertheless, for normal purposes, it is distinctly less efficient than the alternative method. This alternative is to give people an incentive to transfer themselves to those occupations where the supply of labour is short. The incentive may take various forms; certain kinds of labour are attracted into the British Civil Service by the prospect of honours (such as knight-hoods), while in Soviet Russia the "shock brigades" are said to have the best chance of theatre tickets or of being sent on holidays. But the simplest form of incentive is to offer higher wages in those occupations where there is a scarcity of labour; people are encouraged to look for employment in those occupations where extra labour is wanted more urgently, in preference to occupations where extra labour is wanted less urgently, because they will be offered better wages in the former occupations.

Thus the use of the incentive method makes it almost inevitable that some people should get higher wages than others; but before we allow our sense of fairness to be outraged by these differences, we ought to consider very carefully what alternative exists. As we have seen, some means of regulating the distribution of labour among occupations is absolutely necessary; no community could survive without it. The only alternative is the method of compulsion. . . .

The great advantage of the incentive method is that it contains a means of se-

¹ From *The Social Framework* by J. R. Hicks, by permission of The Clarendon Press, Oxford, 1924, pp. 60-66.

lection within itself. When our employer in the radio industry is looking for his 1,000 workers, he estimates first of all what wages will be necessary to attract 1,000 suitable people. The rates offered will of course have to be high enough to attract a good many more than 1,000 persons altogether; the suitable people will have to be picked out of a longer list. But this is the only part of the work of selection which has to be performed by the radio manufacturer himself and by his managers; all they have to do is to select, out of the applicants who present themselves, those who seem best fitted to do the work which is to be done. Of course even this is not an easy job; but it is a job which people who are themselves specialized in the management of that particular kind of work will be specially competent to perform. They do not have to pay any attention to the other side of the selection; for the only people who will put in an application for work at a stated level of wages are people who consider that they will benefit themselves by getting employment on those conditions. There is thus no possibility of people being selected who would be involved in exceptional hardship by having to work at this job rather than at some other job which is open to them; such people will not apply. Nor is there much danger of people applying who are essential workers at other occupations; for if a worker who was really essential in his old job sought to change his occupation, his old employer would probably raise his wages, so as to make it worth his while to remain. It may indeed sometimes happen that a worker possesses some exceptional skill which makes both employers want him very badly; in that case he may be enticed away by the new employer offering even higher wages than the old employer would be prepared to offer. But if the new em-

ployer can only get this particular man by offering him exceptionally high wages, he has a strong inducement to do without him, if he can find any means of doing so; the method of incentive does give him an inducement to weigh up the urgency of his need against the need of the other employer, and not to take on a worker who is specially useful elsewhere unless he is also very specially useful in the new occupation.

The method of incentive has these advantages; if we consider how continually adjustments of this sort require to be made in a modern community, we shall appreciate how important these advantages are. Yet we must never forget that the use of the incentive method does involve inequality of incomes; it means that those people whose abilities are more urgently demanded will earn higher wages than those whose abilities are less urgently demanded. People who have no kind of ability which is at all scarce will earn relatively low wages; sometimes the wages they would earn would be so low that the public conscience is revolted by the idea of allowing them to work on those terms—if indeed they could earn enough to keep body and soul together. For this and other reasons, modern communities rarely allow the incentive method of distributing labour to operate unchecked and without qualification; minimum wages are fixed in certain occupations, and unemployment pay is given to people who cannot secure work at these minimum wages. There is often a very good case for making such arrangements; but when they are made they set obstacles in the way of adjusting the supply of labour between occupations in accordance with those ideal standards we have been laying down. And departure from these standards does mean a loss in efficiency.

SUMNER H. SLICHTER¹

The General Economic Effects of Collective Bargaining

No one has a right to expect collective bargaining to produce full employment, because under collective bargaining the volume of employment must adjust itself to the wage level and the wage level is fixed by parties who have no particular interest in the total volume of employment. Nevertheless, since wages may be too low as well as too high for the greatest volume of employment, it is possible that the percentage of unemployment will be less under collective bargaining than in its absence. Experience alone will tell whether or not collective bargaining produces an intolerably large proportion of unemployment. If it does, steps will need to be taken to cause employers and unions to assume a greater responsibility for the effect of their bargains upon the general level of employment.

The effect of collective bargaining upon the level of employment will depend in part upon how it affects investment opportunities in specific areas. For example, there is reason to believe that the wage policies of the building trades unions have been one of several impediments to investment in that field. To that extent the wage policies of the building trades have limited the general level of employment and injured the standard of living of the nation.

The great pressure which collective bargaining imposes on employers to raise the price of labor will substantially increase

the proportion of the country's resources devoted to industrial research and will accelerate the rate of technological discovery. This will tend to increase the volume of investment and may entirely offset any tendency for collective bargaining to produce unemployment. The effect of collective bargaining upon the volume of investment, however, must be regarded as indeterminate because, although collective bargaining accelerates technological discovery, in so far as it raises wages relative to prices, it reduces the proportion of new ideas that are worth exploiting.

Collective bargaining will probably produce a less favorable allocation of resources between agricultural and non-agricultural industries, and to that extent it will limit the productivity of men and equipment. At the present time far too large a part of our labor force and capital are devoted to agriculture. About one-fifth of the gainfully employed are engaged in agriculture, but agriculture receives only about one-eighth of the national income. The remedy for this situation is to move about 2,000,000 persons from agriculture to employments where they can produce goods that are in greater demand than farm products. Collective bargaining, however, occurs almost entirely in non-agricultural employments. By raising wages in those occupations relative to compensation in agriculture, collective bargaining limits the capacity of non-agricultural industries to absorb workers from agriculture and thus impedes the achievement of the most economic distribution of resources. An important qualification, however, needs to be added to this statement. It is possible that collective bargaining, by stimulating industrial research in non-agricultural industries, may accelerate their growth and to that extent it may promote the achievement of a more economic distribution of resources.

¹ Sumner H. Slichter, *Collective Bargaining Contracts*, The Bureau of National Affairs, Washington, D. C., 1941, pp. 64-66.

The effect of collective bargaining upon the standard of living in the community as a whole, and even upon the standard of living of wage earners, must be regarded as indeterminate. It may be either favorable or unfavorable. To the extent that collective bargaining reduces the volume of employment, it tends, of course, to reduce the standard of living. As pointed out above, however, it is not a necessary result of collective bargaining that it reduce the volume of employment. To the extent that collective bargaining increases industrial research and accelerates technological discovery, it tends to raise the standard of living. Collective bargaining will improve the management in many plants by giving representatives of the men an opportunity to point out mistakes of management and conditions that are impeding production. The tendency of collective bargaining to accelerate technological discovery and to improve mana-

gerial efficiency may completely compensate for any tendency of it to increase the volume of unemployment. To the extent that collective bargaining impedes the shift of labor from agriculture to non-agricultural industries, it retards the increase in the standard of living.

The conclusion is that collective bargaining is a powerful instrument for either good or evil. Its results will depend upon the wisdom and far-sightedness with which bargains are made, upon the extent to which the makers of trade agreements take account of the effects of specific agreements upon general economic conditions. The most important economic problem of the country during the next generation will be that of stimulating the expansion of production and employment. The right to bargain collectively is of little use in a stagnant or contracting economy. Its value depends upon how rapidly the demand for labor is increasing.

24. National Wage Policy

WAGES and salaries are the largest element of cost in conducting the nation's business. They are also the largest item of income. Out of this dual role grows much of the difficulty in analyzing the effects of wage policies on the level of business activity. The two periods when the issue of wage policy is most intensely debated are during prolonged depression and during potential or growing inflation. What is responsible wage policy in either case? Can unions be relied upon to act responsibly?

Two major theories exist about wage policy during depressions. The first is that a lowering of wage rates will increase the volume of employment. Wage reductions achieved rapidly and in significant amounts will encourage employers to maintain production and job volume by reducing costs. The second is that a lowering of wages will reduce purchasing power and achieve nothing in increased employment. Rather, the psychology of deflation may become cumulative. Consequently wages should be retained at their former levels during a depression.

Regardless of the validity of either theory, wage reductions are difficult to secure at any time when labor is organized. Strikes against wage cuts are among the bitterest and most prolonged. Sufficiently fast and uniform action would be impossible to obtain without such social unrest that any possible gains would be wiped out by the discouragement and disorganization due to the conflict. The practical fact is that wage reduction as a depression cure is an imprecise tool and troublesome to use. At the same time, it is not more reasonable to believe that wage increases on the downswing would be much easier to secure from employers or any more certain to restore prosperity.

Full employment and even overly full employment in the postwar period created a sellers' market for labor. Mr. Beveridge has advocated a policy of constantly more jobs than men, and governments around the world have to varying degrees declared their intention of underwriting full employment. Purchasing power can be excessive as well as deficient. Feeding excessive demand with wage increases may ensure more inflation. Beveridge has suggested two solutions. The first is self-discipline by the unions and the second is arbitration. Can the unions effectively discipline themselves by not demanding wage increases which they can secure? While the leadership might be so inclined, they could not guarantee that the members of local unions would wish to forego what was so easily to be had, or that rival leaders would deny themselves the opportunity to exploit the

situation, unless the leadership was so protected as to constitute less than full democracy, or the members were endowed with the convictions of economists and a goodly portion of Rousseau's general will.

The second solution is arbitration. Can arbitration be relied upon to prevent inflation? This assumes, first of all, that arbitrators will be given the opportunity to arbitrate through refusal of employers in a period of good times and labor shortages to agree on increases. Further, the arbitration tribunal is a private court responsible to the contestants for an equitable decision in their private controversy, and not a government bureau directed to protect the public's purse. In a period of inflation, also, the standard criteria for wage adjudication may be inflationary. Wages may be rising elsewhere, the cost of living going up, and ability to pay obvious. Full denial of wage increases under such circumstances, judging by past practices, is by no means certain. At the same time, government control of wages is undesirable and difficult politically to enforce. Does this mean that inflation is assured?

In the longer run, as man-hour productivity increases, what should be the trend of wages and prices? Three general possibilities exist. Wages can remain stable and prices can go down. Prices can remain stable and wages go up. Both can go up. What actually happens will depend largely on who wins the race between the engineer and the business agent. The engineer seeks to raise man-hour productivity; the business agent to raise money wage rates. Their relative success will help determine the future of the price level. Man-hour productivity has in recent years gone up at the average rate of 2 to 3 per cent per year. Will money wage rates go up more slowly or more rapidly? This depends, of course, on the swings of the business cycle, the aggressiveness of the unions, and many other factors. Further, will unions in progressive industries be willing to accept wage increases only as much above the average increase in productivity as those in stagnant industries are willing to hold theirs below, so that prices may remain stable?

If what constitutes responsible wage policy in any period were agreed upon, are unions in a position to act responsibly? The average union represents only a very small segment of the workers in the economy. What happens in that small sector may have only an infinitesimal effect on over-all developments, so that the need to act responsibly may not be fully evident. Further, the leadership is expected by the membership to act responsibly toward it, and this may mean quite a different policy—and it is the membership that votes.

The stock answer is that unions are too small, and that larger unions could and would accept greater responsibility. Ideally, it has been said, one national union would bargain with one national association of employers. These parties would need to think in terms of national aggregates and the effects of their actions on the national economy, and the problems of sectional bargaining and sectional outlooks would disappear. Suppose, however, that the parties engaged in nationwide warfare rather than peaceful negotiation. Further, what would happen to

democracy in the union movement if the policy-makers were so far removed from the membership; and how much sense of participation would remain? Is this the Utopian solution? Is such centralization of power desirable?

Wages intimately affect the operation of the national economy. They are increasingly being determined by policies of powerful unions and powerful employers and employers' associations. How can these groups be depended upon to act responsibly toward the economic system?

WAGES AND EMPLOYMENT

J. R. HICKS¹

Wage-Regulation and Unemployment

Whatever may be the case with the ordinary Trade Unionist, no one with an economic education is likely to deny what has just been established with perhaps unnecessary detail—that a raising of wages in one industry will diminish the demand for labour in that industry. But even economists sometimes find a difficulty in seeing that what is admittedly true for each industry separately is also true for all industries taken together. Once we have universal Trade Union action, the *ceteris paribus* assumptions, with which Marshallian economics is accustomed to work, break down; it is no longer fair, for example, to suppose that the demand curves for the products of the industries remain unaffected by the changes; and a way of looking at the problem which had sufficed with one industry considered alone, becomes unsatisfactory in the more complicated case.

But it is not really difficult to adjust our

views to this case. It is true that we must not look at the various industries successively; we must look at them simultaneously. But we can then prove conclusively that an all-round rise in wages must cause unemployment (apart, again, from reactions on the efficiency of labour) by supposing it does not, and then proving the continuance of such a situation to be impossible.

We now suppose that the free labour market has entirely disappeared. It does not matter very much if we regard all industries as unionised, and all the Unions forcing wages above the competitive level; or whether, initially, only some Unions are doing this, and the others are resisting the fall in their wages which the rise in the first trades tends to produce. There is no serious theoretical difference here. But for simplicity's sake we shall for the present assume that we are dealing with an isolated or closed community, and also with one that is stationary, having no tendency either to economic progress or decline. We may also assume that by "wages" we mean real wages. . . .

Suppose now that a rise in wages takes place and that initially no one is discharged. The rise in wages does not directly increase the spending-power (measured in terms of goods available for exchange) which is coming forward to take

¹ From J. R. Hicks, *The Theory of Wages*, by permission of The Macmillan Company, publishers, London, 1935, pp. 185-90.

off the market the goods offered for sale. All that happens is a redistribution of that spending-power; more of it comes from wage earners and less from the receivers of profit. This may, and indeed probably will, alter considerably the relative demand for different commodities; the demand for some commodities (those which wage-earners would buy if they had a little more money) will increase, while the demand for those commodities which are consumed mainly by the capitalist and employer classes will diminish. This will affect considerably the relative profits of different trades—employers in some trades may find themselves better off than before, even with the higher wages they have to pay, but employers in other trades (doubtless the great majority) will be worse off. The general rate of profit will diminish.

The disturbance in the relative rates of profit earned in different trades will lead to a good deal of shifting of industrial activity, those in which profits are now higher tending to expand, and the others to contract. But in so far as this merely reflects the changed relative demand for different products, there is nothing to suggest that it is likely to lead to permanent unemployment. For, on the whole, as many men as are thrown out from the one class of businesses are likely to be absorbed in the other. (There may of course quite well be a serious temporary unemployment owing to the difficulties of transfer.)

But the shifting of demand for products is not the only reason why a transference of resources will take place. Some trades use a higher proportion of labour to capital than others; so that while, in the more capitalistic trades (speaking generally, and apart from the variations in demand for products) the burden of the high wages on profits will be small, in the less capitalistic trades it will be much more considerable. Profits will therefore be

higher in the first class than in the second, and there will thus be a tendency for capital to shift—from the less capitalistic to the more capitalistic trades.

But this second tendency—unlike that which arises from the change in the demand for products—is not in the long run innocuous to the employment of labour. For a given amount of capital, which enabled a large number of labourers to be employed in the less capitalistic trades, will employ far fewer men in the more capitalistic industries. Although employment expands in the latter, they cannot absorb all the labour which is thrown out elsewhere.

Now even if this kind of transference were to take place completely up to the point where it ceased to be advantageous to the capitalists—and, for all the reasons we have previously mentioned, this is bound to be a slow process—the rate of profit would still in the end be lower than it would have been in a free market. For capital is being forced into uses less advantageous than those which would then have been open to it, and its net productivity is therefore lower. And so there is still an incentive to further change. And a further change can advantageously be made—by making each industry more capitalistic than it was before. The wages of labour are higher and the rate of interest lower than they would have been in a free market; so that more capitalistic methods of production which would not have been profitable then become profitable now. But the adoption of these methods lowers still further the amount of labour which is required with a given volume of capital; and so increases unemployment.

But although this change of methods, like the shifting of resources between industries, must increase net unemployment, it will not increase unemployment at all regularly, nor necessarily increase it in

every industry. Under modern conditions, the use of more capitalistic methods means, to a large extent, the increased use of machinery; and since the making and the using of machines are now generally specialised into different trades, the fate of these trades will be different. After a certain lag, maybe, the demand for the products of the machine-making trades will begin to expand—at least relatively to other industries; for it is conceivable that the reduction in employment, by reducing the demand for final products, may set off this increase. But it remains perfectly possible that employment in the heavy industries—those specialised to the production of capital goods—will be well maintained; and, as far as the things we have hitherto taken into account are concerned, it is certain that there will be relatively less unemployment in the heavy trades than elsewhere.

On the other hand, unemployment will be concentrated in those trades where relatively little capital is employed, and among the producers of consumption goods. The providers of services will also suffer severe unemployment, particularly if the services in question have been previously demanded mainly by the wealthier classes, who may be expected to suffer worst from the fall in profits. (This will be the case particularly in the early phases of the process. As the various transferences and substitutions which we have been describing are carried through, total wages will fall owing to unemployment, while total profits will rise, since more profitable investments for capital are being discovered than those which were at first available. This will of course be beneficial to the chances of employment of the class just mentioned.) Further, the distributive trades will contract heavily; cooks, tailors, repairers of all sorts will suffer severe unemployment, both on account of a direct decline in the demand for their services,

and because their labour will be substituted by more mechanical methods, and by the mass-production of standardised goods. So great will be the unemployment in these trades (if the original rise in wages has been at all considerable) that it is most unlikely that they will be able to maintain a level of wages comparable with that enforced in the rest of industry. Their wages will therefore fall, and the pressure of unemployment will thereby be somewhat relieved.

JOAN ROBINSON¹

Changes in Wages

Joan Robinson (1903-), an English economist, is best known for her contribution to the theory of imperfect competition.

It is sometimes argued that another way to increase employment is to raise wages. If entrepreneurs agree to pay their workers higher rates, money demand for goods is increased, and it is argued from this that activity and output will increase. But this rise in demand merely offsets the rise in cost of production due to higher wages. A larger expenditure of money is now needed to buy the same goods, and the increase in money income is not an increase in real purchasing power. There is no simple remedy for unemployment to be found merely in raising wages.

The reverse argument is also common. It is said that if wages were reduced costs would fall, and therefore entrepreneurs would find it profitable to produce more goods. But money incomes fall as much

¹ From Joan Robinson, *Introduction to the Theory of Employment*, by permission of The Macmillan Company, publishers, London, 1937, pp. 50-51.

as costs, and money demand is reduced correspondingly. Any one entrepreneur, by cutting the wage rate which he pays, can increase his profits, but at the same time he is reducing the receipts of other entrepreneurs, and if they all cut wages together none of them are any better off. Any one man in the crowd can get a better view of the procession by standing on a chair, but if they all get up on chairs no one's view is improved.

A. P. LERNER¹

The Relation of Wage Policies and Unemployment

A. P. Lerner (1903-) is an authority on business cycles and economic theory. He has taught at the New School for Social Research, New York City, and the University of Kansas City.

I shall consider wage policies and price policies from the point of view of the economy as a whole and not from that of either a particular firm or that of any particular section of the economy. The policies are conceived to be directed to the object of achieving and maintaining the prosperity of the economy as a whole. The main difficulty of this problem lies in the danger of taking propositions that have been established as true when applied to sections of the economy and illegitimately applying them to the economy as a whole. What is true of a firm or of a particular industry or of a set of industries need not be true of the economy as a whole. To

draw attention continually to such relationships between the parts and the whole is probably the most distinctive function of the economist. . . .

Very roughly speaking, Say's Law points out that the demand for the output of any industry (or firm or individual) comes from the supplies of all the other industries (or firms or individuals). This is because these supplies translated into money constitute the demand for the output of the first industry (as well as for each other's output). A general restriction of supply would bring about a general restriction of demand, and, therefore, could not be depended upon to increase prosperity. Total demand is not independent of total supply.

Now there is some plausibility to the argument that a general policy of raising price by restriction of output can increase prosperity in the sense of raising prices or profits. And, indeed, we shall see later the argument has some validity. But it is hardly possible to argue that such a price policy can increase prosperity in the much more fundamental sense of increasing total output or employment. However, a similar generalization is made with respect to wage policy. A cut in wages in one industry can increase both profits and employment in the industry. Similarly, it is argued, a general policy of reduction of wages will lead to an increase in profits and in employment in the whole economy.

The parallel warning for this illegitimate generality from a part of the economy to the whole has been given by Mr. J. M. Keynes.

Again speaking very roughly, what Mr. Keynes has pointed out is that the costs incurred in the production of any commodity constitute the incomes out of which comes the demand for all the other communities. A general reduction of wages would constitute a reduction in costs, in incomes, and in demand; so that

¹ A. P. Lerner, "The Relation of Wage Policies and Price Policies," *American Economic Review*, Supplement, 1939.

it could not be depended upon to increase prosperity. This may be called "Keynes's Law." Total demand is not independent of total cost.

A. G. POOL¹

Wage Policy— the Period of the Boom

WAGES AND PURCHASING POWER

On what grounds can it be held that the inflexibility of wage rates during a boom contributes to the maladjustments which provoke the crisis and subsequent collapse? The most popular doctrine is that if wages are not steadily increased so as to keep pace with production, there will be insufficient purchasing power to take up, at remunerative prices, all the goods that are being produced. This is the essence of the "philosophy of high wages" which became so popular in America after the war, and in which many publicists were prepared to find the main explanation of American prosperity. Trade union leaders and many industrialists advocated steadily rising wages, not primarily because of their stimulating effects on the efficiency of workers and employers, but because they regarded it as a common-sense proposition that the buying power of labour must be increased to provide extended markets for the increasing volume of production. "Belief in the economy of high wages has become prevalent among the abler business executives, much as belief in increasing productivity has

become prevalent among the abler trade-union leaders. To find a market for the wares turned out by mass production and urged on consumers by national advertising, it is patently necessary to have a corresponding purchasing power in the hands of consumers. Since studies of the national income have demonstrated that wages constitute by far the largest stream of personal income, it follows that wages per man—or rather, wages per family—must be increased as production is expanded."

Given certain premises, this argument is seen to be little more than a truism. If we start from the assumption that entrepreneurs have already taken decisions which will result in an increased output of goods bought solely or mainly by the wage-earning classes, it necessarily follows that, if no overproduction is to afflict the industries in question, there must be a correspondingly increased amount of real purchasing power placed in the hands of wage-earners. If $1/x$ th of the cost of aggregate output consists of the cost of goods bought exclusively by wage-earners, and if less than $1/x$ th of the total income consists of wages, entrepreneurs in the "wage goods" industries will inevitably fail to secure normal profits. The consequent depression in those industries can be attributed either to too low a general level of wages or to the overproduction of "wage goods," according to one's point of view.

But in exactly the same way, if $1/y$ th part of the cost of aggregate output consists of "non-wage goods," and less than $1/y$ th of the total income is distributed to "non-wage earners," the industries catering for the profit-making classes will find themselves in difficulties; and in this case it can equally well be claimed that the trouble is due to too low a level of profits. In general terms, if an expansion of output is not to be wasted or sold at a loss, additional incomes must be put at the

¹ From A. G. Pool, *Wage Policy in Relation to Industrial Fluctuations*, by permission of The Macmillan Company, publishers, London, 1938, pp. 73-82; 84-85; 95-101; 103-12; 115-19; 127-33.

disposal of people who are willing to buy the goods which compose the additional output, wages, profits and other types of income being in essentially the same position so far as the provision of purchasing power is concerned.

But it is very widely believed that there is some special virtue in purchasing power distributed in the form of wages; in fact, in the cruder statements of the argument, total purchasing power and wages are interchangeable terms. On this view, failure to raise real wages during a period of increasing productivity must create a deficiency of purchasing power and precipitate a crisis. Now as all the costs (including profits) incurred in the process of production become, directly or indirectly, spendable incomes for somebody, there must necessarily be a sufficient amount of purchasing power continually being put into circulation to make possible the purchase, at prices covering total costs, of the whole of the current output. Whether the recipients of this purchasing power choose to spend it at the usual rate is, of course, quite a different matter. But it is quite fallacious to identify total purchasing power with wages and to contend, on that basis, that a crash must come if wages do not keep pace with expanding productivity.

There is, however, some reason for thinking that as a boom develops a situation may arise in which aggregate wages are discovered to have increased less rapidly than the output of "wage goods," with resultant losses in the industries catering for working-class consumption. The argument supporting this conclusion is briefly as follows. The relative proportions of income spent on necessities, comforts and luxuries are determined mainly by the size of the available income. Every study of family budgets, from those of Le Play and Engel onwards, has revealed the fact that in small-income groups the

biggest part of the available income is spent on necessities, only a very small percentage being allocated to comforts and luxuries. In large-income groups, though the absolute expenditure on necessities is greater, the proportion of income spent in that direction is comparatively small, the bulk of the income being allocated to comforts and luxuries. In any case, one would expect these results on *a priori* grounds. Hence, any large-scale redistribution of income as between rich and poor is bound to affect in no small degree the relative demands for these three classes of consumers' goods.

During a trade boom very considerable modifications of the distribution of incomes take place. In particular, a larger proportion of an increasing income becomes available as profits, and a smaller proportion (though a larger total) is distributed as wages. And as aggregate wages go, for the most part, to the smaller-income groups and aggregate profits to the larger-income groups, the change in the ratio between aggregate wages and aggregate profits in a boom period must result in a smaller proportion of the national income being spent on necessities and simple comforts, and a greater proportion on luxury goods and services.

If entrepreneurs realise during a boom that they can reasonably expect only a moderate increase in the demand for necessities and simple comforts, and that the greatest expansion of demand will be in the category of luxuries, they will allocate resources accordingly and no maladjustment need arise. But it is unlikely that they *will* make these careful forecasts of the relative rates of justifiable expansion in the various industries. On the contrary, they are likely to increase the output of "wage goods" at a greater rate than the demand will ultimately warrant. There are two reasons why this is likely to happen.

(1) In the first place, in the early stages of the boom entrepreneurs in the "wage goods" industries will share in the general prosperity, despite the fact that a diminished proportion of the aggregate income is being spent on their products; because aggregate wages will be increasing, owing to the utilisation of additional credits to pay out wages to an increasing number of workers. In the prevailing mood of optimism entrepreneurs in these industries will tend to anticipate a continuance of this early rate of increase in demand and will undertake additional investment in order to cater for it. Whereas, in actual fact, the rate of increase in the demand for "wage goods" must slow down as the system approaches a position of full employment. In short, the errors of over-optimism to which many investigators of the trade cycle attach significance, are most likely to be made in the industries catering for working-class consumption, as entrepreneurs are likely to be blind to the fact that, owing to a combination of falling real wage rates and a declining rate of increase in employment, the demand for wage goods must at some point cease to increase and ultimately begin to fall.

(2) In the second place, the commodities consumed by the wage-earning classes are for the most part produced in large quantities and standardised, and accordingly in their production large amounts of capital are used per £'s worth of finished product. The luxury commodities purchased by the well-to-do classes, on the other hand, consist to a much larger extent of personal services and of hand-made and artistic goods produced to meet the personal requirements of individual customers, and therefore require in their production comparatively small amounts of capital equipment. Hence, of the greatly increased amount of capital that becomes available for investment during

a boom, it is likely that the bulk will be invested in the "wage goods" industries, since the luxury trades offer comparatively small outlets for investment. Investors seeking investments in fields which offer the prospect of extensive markets are likely to aid and abet entrepreneurs in the "wage goods" industries by supplying them with all the capital which their wrong forecasts lead them to require.

If, for these reasons, the supply of productive resources is *not* allocated so as to correspond exactly to the different rates of increase in the demands for necessities, comforts and luxuries, a point will be reached sooner or later at which, though the luxury-producing trades are still "underproducing" and making abnormal profits, the necessary-producing trades discover that they have "overproduced" and secure, in consequence, less than normal profits.

But it seems very doubtful whether it is this tendency to overproduce "wage goods" which is primarily responsible for the breakdown of the boom. All the available evidence indicates that, at the beginning of a slump, the consumption industries as a whole remain comparatively prosperous for some time after the capital-producing industries have begun to show a decline in activity. The overproduction of "wage goods" would appear, therefore, to be one of the secondary maladjustments of a boom period, but not the major cause of the development of a crisis.

If, by increasing the flexibility of wages, the proportion of aggregate income distributed as wages could be augmented . . . , the tendency to overproduce "wage goods" might be mitigated. But it cannot be claimed that all possibility of overproduction would thus be eliminated; mistaken forecasts might still be made through entrepreneurs failing to appreciate the fact that, as a position of full em-

ployment is approached, the rate of expansion of consumption goods must tend to fall. . . .

THE UNDERCONSUMPTION THEORY

In the "oversaving" or "underconsumption" theory of the trade cycle, the "lag" of wages behind prices and profits during a boom plays a prominent part. According to this theory, of which Mr. J. A. Hobson is the ablest exponent in this country, booms end in crises because excessive saving brings into existence a greater supply of capital equipment than the rate of spending on consumption warrants. This excessive equipment results in a larger output of consumption goods than can be sold at remunerative prices, and the boom accordingly collapses. . . .

The tendency to oversaving he attributes fundamentally to the unequal distribution of incomes; too large a proportion of the aggregate income normally finds its way into the pockets of the profit-making and saving class, and too small a proportion is distributed to wage-earners, the spending class. During a boom this maldistribution of income is accentuated, owing to the lag of wages behind prices and profits. The increasing proportion of income distributed as profits makes possible a higher rate of saving, and the diminishing proportion distributed as wages imposes a lower rate of spending, with the result that production and consumption ultimately get out of gear.

Mr. Hobson argues that the elimination of the "wage lag" would go a long way to correct cyclical fluctuations, in two ways. Firstly, by reducing the rate of profit and increasing rates of wages, it would slow down savings and stimulate consumption. "In other words, it would make for an adjustment between the rate of reviving production and of reviving consumption which might maintain an equilibrium between the two processes at

a high level for an indefinite time, avoiding the slump otherwise held to be inevitable. The expansion of production and employment would, as before, continue until all the factors of production were in full use, but this process would go more slowly because a smaller proportion of the income would be available for saving, *i.e.* for making capital goods."

Secondly, "the removal of the wage-lag would also act in another way on credit and prices. By curbing the high profits which the wage-lag makes possible, it would reduce the incentive of business men to borrow and of bankers to lend. So less credit would be manufactured, prices would not rise as much or as fast, and the whole process of reviving trade would take place more slowly. This slower recovery would be the price paid for the greater security of the recovered trade."

At the same time, Mr. Hobson emphasizes that the adjustment of wages during the boom so as to keep pace with profits is not, in itself, enough to eradicate the tendency towards oversaving. In addition, therefore, he urges that the tax system must be used so as to secure a much more equal distribution of income and remove the fundamental cause of the "oversaving" propensity.

The underconsumption explanation of the trade cycle has met with a very mixed reception. In many sections of the organised labour movement it has acquired an immense prestige, mainly because it attributes slumps to the inequalities of the economic system. Some professional economists, like Mr. G. D. H. Cole, also find in it a reasonable explanation of the phenomenon of the trade cycle. Mr. J. M. Keynes has made sympathetic references to Hobson's work, both in his *Treatise on Money* and more recently in his *General Theory of Employment, Interest and Money*, without, however, accepting his

theory *in toto*. The majority of economists, however, remain unconvinced that underconsumption or oversaving is responsible for the occurrence of trade slumps. . . .

The most damaging criticism of the underconsumption theory is that it is inconsistent with the observed fact that the consumption industries continue to prosper for some time after the depression has appeared in the capital-producing industries. The crisis is not precipitated by the sudden appearance of a glut of consumable goods, as one would expect from the underconsumption analysis. It might be argued that the entrepreneurs in the consumption industries anticipate, at the top of the boom, a cessation of the increase in the demand for their products, and accordingly greatly curtail their demand for capital equipment; hence the onset of depression in the heavy industries while the consumption industries are still doing well. But clearly, if entrepreneurs are as far-sighted as this implies, they will have avoided the overproduction of capital goods and the subsequent glut of consumable goods, both of which are essential elements in the underconsumption theory. The continued profitability of the consumption industries after the slump has appeared in the capital industries is one of the crucial points which any adequate trade cycle theory must be able to explain; and it is here that the underconsumption theory most completely fails. . . .

THE PSYCHOLOGICAL THEORY

So far as the psychological factor is concerned, therefore, the utmost that can be claimed for a policy of raising wages at the expense of profits is that, in so far as it induced a more sober frame of mind among entrepreneurs and investors, it would prevent the launching of those wild-cat schemes which owed their con-

ception to nothing more than exuberant spirits; but, as errors of optimism cannot be held responsible for the collapse of booms, it would leave the main features of the boom and crisis quite unmodified. . . .

THE "ADDITIONAL CREDIT" THEORY

According to the "additional credit" theory of the trade cycle, of which Professor Hayek is the leading exponent in this country, the rise of wage rates during the boom contributes to the collapse not because it lags behind the rise of prices, but because it helps to render unprofitable the production of capital goods. The essential stages in this argument are as follows.

We assume, to begin with, a state of equilibrium, in which, *inter alia*, there are no unused resources. Suppose, then, that the banks begin to issue additional credits to producers. Unless this credit expansion offsets a tendency to build up larger money hoards, it will increase the supply of free capital available for investment, and so make the actual rate of interest lower than the "equilibrium rate" which would have prevailed if only voluntarily saved free capital had been available. The lower rate of interest induces entrepreneurs to resort to more "round-about," more "capitalistic," methods of production, which naturally creates an increased demand for capital goods and leads to an expansion of the industries producing those goods. For the time being, the production of capital goods has become more profitable than the production of consumption goods, because, owing to the additional credits, an increased *proportion* of the total money expenditure in a given period of time is now directed to the former category. Consequently, resources are attracted away from the production of goods for current con-

sumption to the "higher" or earlier stages in the productive process.

But the prosperity of the capital-producing industries proves to be short-lived. The additional credits, used in the first place to finance the production of capital goods, will be paid away as incomes to the various agents employed in their production, and these incomes will be allocated in the usual proportions between spending and saving; there is certainly no reason for thinking that the whole of the additional income will be saved. The result is that, unless the banks oblige by issuing further credits at an increasing rate (and they cannot do this indefinitely), the proportion of aggregate money expenditure directed to the purchase of consumption goods will revert to the level prevailing before the credit expansion began, and the consumption industries will now become more profitable than the capital-producing industries. Consequently, the consumption industries, in order to obtain additional supplies of resources with which to meet the growing demand, will bid up factor prices, including rates of wages, to levels which the less profitable capital-producing industries cannot afford to pay. Accordingly, those resources which are mobile or "non-specific" will tend to leave the "higher" stages of production in order to participate in the production of consumption goods.

Moreover, the proportion between free capital made available for investment in a given period and aggregate income will decline, owing to the cessation or slowing down of credit creation, and the rate of interest will rise in consequence. Entrepreneurs in the capital-producing industries will thus find themselves compelled to bear both higher wage costs and higher interest charges than they had anticipated when they planned their production programmes earlier in the boom; the produc-

tion of capital goods will become unprofitable and output will decline in this group of industries. The higher rate of interest will thus have compelled entrepreneurs to return to less "roundabout" processes, and the "structure of production" will become shorter.

In short, the temporary lowering of interest rates during the period of credit expansion encourages the adoption of longer and more capitalistic methods of production; but these have to be abandoned when the subsequent rise in interest rates makes them unprofitable. The crisis really arises from the necessity of scrapping these unprofitable methods and returning to less capitalistic processes. And, unfortunately, the reversion to shorter processes is necessarily accompanied by some waste of resources, because the longer processes are abandoned almost as soon as they become unprofitable, while the shorter processes which have now become more profitable have to be started from the beginning and cannot, therefore, immediately absorb all the resources released by the abandoned longer processes.

It would appear to follow from this theory that the crisis might be circumvented either if voluntary savings could be increased sufficiently to offset the decline in the "forced savings" arising from the process of credit creation, or alternatively, if the costs of production of capital goods could be reduced sufficiently to offset the increase in the rate of interest (since, given the prospective yields of capital goods and the rate of interest, the output of such goods must depend on their costs of production). If wages could be prevented from rising when the rate of increase of credit fell, income which would otherwise have gone to wage-earners would be diverted into the hands of profitmakers, who normally save a larger percentage of their income than wage-

earners. To that extent, therefore, the keeping-down of wage rates would help to increase the volume of voluntary savings when "forced" savings began to decline. Again, if wage-earners in the industries producing capital goods accepted wage rates lower than those offered in the consumption industries, the prices of capital goods would fall relatively to those of consumption goods, and the demand for capital goods might conceivably be maintained at the level to which it rose during the period of credit expansion.

So far as the suggested role of wage movements is concerned, this theory of the trade cycle appears to over-simplify the behaviour of the labour market, which is nothing like as fluid and competitive as is assumed. When, at the peak of the boom, wages rise in the consumption industries, can it be safely assumed that the capital-producing industries will be compelled to bring their wage rates into line, despite the fact that the demand for their output is beginning to decline? In view of the general practice of basing wages on what each individual industry can afford to pay, any such assumption is unrealistic. If the capital-producing industries are suffering from a falling demand, wages tend in practice to fall, however prosperous other trades happen to be. Admittedly, in the long run, there is a tendency to equalise the efficiency wage-levels in all industries; but in the short run, with which trade cycle theory is concerned, the wages which other industries can afford to pay are a secondary consideration in the negotiation of wages for a particular group of workers. . . .

The "additional credit" theory, however, does not stand or fall on any assumptions as to the behaviour of wage rates in the higher stages of production. The argument that labour becomes dearer in these

stages, in consequence of more intense competition from the consumption industries, appears to supply only a secondary explanation of the difficulties confronting entrepreneurs producing capital goods. Fundamentally, the trouble is attributed to the fall in the demand for capital goods caused by the spending on consumable goods of a part (in practice the bulk) of the additional income emanating from the additional credits originally issued to producers. If this explanation is sound, the prompter adjustment of wage rates to rising prices and profits, far from having a stabilising effect, would merely accentuate the crisis; by redistributing aggregate income somewhat in favour of "spenders" it would cause expenditure on consumption to increase more, and expenditure on capital goods to diminish more, than is already the case. On this theory, then, the only wage policy which can possibly contribute to the maintenance of stability, once the capital-producing trades have expanded in response to the issue of producers' credits, is one which imposes cuts on wage-earners when the rate of credit creation is about to decline, so that, by transferring income to "savers," the ratio between the expenditures on capital and consumption goods might remain undisturbed. Any such policy is of course quite impracticable, for no organised body of workers could be persuaded to accept wage cuts at a time when profits were still expanding. The "additional credit" theory thus points unmistakably to the conclusion that it is in the sphere of monetary policy rather than of wage policy that any hope of controlling the trade cycle is to be found. . . .

MR. KEYNES' ANALYSIS OF THE TRADE CYCLE

Before proceeding to a summary account of his theory and its implications in the sphere of wage policy, it is advisable

to indicate the sense in which certain technical terms are used by Mr. Keynes.

(1) By *aggregate net income* is meant, approximately, the value of net output in a given period, after allowing for depreciation of capital.

(2) *Saving* is the excess of aggregate net income over expenditure on consumption goods.

(3) *Investment* is "the current addition to the value of the capital equipment which has resulted from the productive activity of the period."

Since saving is that part of net income which is not spent on consumption goods, and since investment is that part of the value of net output which does not consist of consumption goods, it necessarily follows that saving must equal investment in a given period. But Mr. Keynes has been at some pains to emphasise that it is not simply because "they are two different names for the same thing" that saving and investment are necessarily equal. "Aggregate sales" and "aggregate purchases" must necessarily be equal but it does not follow that "purchase" and "sale" are identical terms. One of the main elements in his system is, in fact, the theory that variations in investment cause aggregate net income to vary so that the excess of income over consumption, *i.e.* saving, is just equal to current investment.

(4) The *propensity to consume* is a functional relationship between a given level of income and the expenditure on consumption out of that income. The marginal propensity to consume is assumed to fall as income increases; *i.e.* of a given increment of income, the proportion spent on consumption tends to diminish, and the proportion saved to increase, as the total income increases. . . . The allocation of a community's net income might thus be as follows:

<i>Income</i> (£ million)	<i>Spending</i> (£ million)	<i>Saving</i> (£ million)
50	50	0
80	75	5
105	95	10
125	110	15
140	120	20

(5) The *investment multiplier* is the inverse of the ratio between a given increment of investment and the consequent increment of income which is required to yield additional savings just equal to the increment of investment; it indicates what variation in income will follow from a given variation in investment. Thus, referring to the table above, suppose that a community has an income of £105 million a week, of which £95 million consist of consumption goods and the remaining £10 million of investment goods. If investment is to be raised to the level of £15 million, aggregate income must rise to £125 million, *i.e.* by an amount equal to four times the increment of investment, since only this income will yield additional savings just equal to the additional investment. The investment multiplier, then, for this level of investment and income is 4.

The process through which income is adjusted to variations in investment is, briefly, as follows. If, when the community's income is £105 million a week, public authorities spend an additional £5 million a week on, say, road construction, thus increasing investment to £15 million, the immediate effect is to raise aggregate income to £110 million. But we have assumed in the table that the propensity to consume is such that, with this aggregate income, less than £15 million will be saved; in other words, a part of the additional income will be spent on consumption. This will, for the time being, cause a corresponding decline in the stocks of goods held by retailers and other

dealers. If these firms make no attempt to replenish their stocks, but continue to give orders to producers at the same rate, then clearly disinvestment (in stocks of goods) must take place equal in amount to that part of the original increment of income that was devoted to consumption. In this case, aggregate income cannot rise above £110 million since the current output of consumption goods does not change in the least.

But if, as is much more probable (and, in fact, inevitable once the dealers' stocks are approaching exhaustion), dealers respond to the increased demand by increasing their orders to producers, the output of consumption goods will expand; additional income will then be generated, part of which will be spent and increase still further the demand for consumption goods, and so on with cumulative effect. But there is a limit to the expansion of consumption to which a given increment of investment will give rise. If investment is maintained at £15 million a week, and the output of consumption goods is increased to, say, £125 million, giving a total income of £140 million, the entrepreneurs in the consumption industries will obviously be incurring losses, since, with that income, only £115 million will be devoted to the purchase of consumption goods. The limit is clearly reached when consumption reaches £110 million, for the saving associated with this volume of consumption is just equal to the amount of current investment.

In the same way, a decrement of investment will cause aggregate net income to shrink to an extent indicated by the multiplier, *i.e.* to the level at which saving has been reduced by an amount equal to the decrement of investment. It follows, then, from this general relationship between investment and aggregate income, that whether all the productive resources available to a community are fully utilised

depends on whether investment is maintained at the level which will generate the income corresponding to full utilisation of resources. If, for instance, in the illustration given above, all resources are fully employed when income reaches £140 million a week, then, given the propensity to consume assumed in the table, investment must be maintained at £20 million a week to preserve full employment. Hence, to explain the trade cycle, we must be able to show why investment should alternately expand and contract, and so produce boom and slump conditions.

On what factors does the volume of real investment depend? Mr. Keynes argues that it depends on two independent variables, the marginal efficiency of capital and the rate of interest. By the *marginal efficiency of capital* of any particular type is meant . . . the expected rate of return on the capital cost of a newly produced asset. It differs from the familiar "marginal productivity" of capital in that it relates to the *prospective* yield as distinct from the yield actually realised. Since different assets have different marginal efficiencies, the marginal efficiency of capital in general must be taken as the greatest of the marginal yields of these individual assets.

As long as it is still possible to acquire capital assets whose prospective rate of yield is greater than the current rate of interest, there is clearly an inducement to undertake additional investment; but when there are no longer any possible schemes of capital expenditure whose marginal efficiencies are as high as the rate of interest, investment will come to an end. In short, investment tends to be extended to the point at which the marginal efficiency of capital is just equal to the rate of interest.

If, therefore, the marginal efficiency of capital declines, either because all the

more remunerative openings for investment are being progressively used up, or owing to some change in the state of confidence on the part of investors, the rate of interest must decline *pari passu* if the rate of investment is to be maintained without diminution. If the rate of interest does not decline, or declines insufficiently, the consequence must be a shrinkage in the volume of investment. And owing to the effect of the "multiplier" this fall in investment must be accompanied by a shrinkage of aggregate income, by unemployment and the many other symptoms of a general depression.

Now according to the classical theory of interest, any increase in the supply of savings or decrease in the demand for them must lower the rate of interest; so that, given the savings available for investment, any fall in what Mr. Keynes calls the "investment-demand schedule," *i.e.* the schedule of the marginal efficiency of capital, should be followed by a fall in the rate of interest such that investment just takes up the available savings. Mr. Keynes, however, denies that this is a necessary consequence of a decline in the schedule of marginal efficiency; he denies equally that an increased supply of savings will automatically lower the rate of interest. In his view, the rate of interest is not determined by the general relations between the conditions of supply of, and demand for, savings; on the contrary, he contends that it is the rate of interest, *inter alia*, which determines what the magnitude of investment, income and savings shall be. What then determines the level of the rate of interest?

Mr. Keynes' answer is that it depends on two variables, "liquidity-preference" and the quantity of money. Interest is clearly not the payment made for "waiting" or saving, since savers who refrain from investing their savings receive no interest. The saver has the choice of hold-

ing a store of wealth in the form of cash, in which case he forgoes all interest, or alternatively investing the funds at his disposal, in which case by parting with liquidity he can earn interest. Now people may desire to hold wealth in the form of cash for a variety of motives—for the convenience of their private or business finances, for financing sudden emergency expenditure, for speculative and other reasons. But it seems reasonable to suppose that the higher the rate of interest the lower is the liquidity-preference of the public; and conversely a low rate of interest will be associated with a greater liquidity-preference. Or, to put the matter another way, the schedule of demand for money (as an alternative to earning assets) will conform to the usual law of demand: the lower the price that has to be paid for holding money the greater the monetary requirements of the public. The price in this case is, of course, the interest which must be forgone if money is held. The liquidity-preference curve is thus a functional relationship between the demand for liquidity, *i.e.* cash, and the rate of interest. Hence, given the liquidity-preference curve at any time, the rate of interest must depend on the quantity of cash which is available to meet the demand for liquidity; the greater the quantity of cash the lower the rate of interest, and conversely. This line of argument leads Mr. Keynes to describe the rate of interest as "the 'price' which equilibrates the desire to hold wealth in the form of cash with the available quantity of cash."

If this "liquidity-preference" theory of interest does describe sufficiently the determination of interest, it follows that the general level of interest rates will tend to rise as the height of the boom is approached; because expanding income and expanding business will both raise the monetary requirements of the public. As long as the banks are able and willing to

meet this expanding demand by supplying an increasing quantity of credit money, higher interest rates can be postponed; but if and when the point is reached at which the banks can no longer supply the additional money required, interest rates must begin to rise, to check the demand for liquidity. When the symptoms of an incipient depression have definitely established themselves, liquidity-preference rises sharply owing to the "bearishness" of investors, and for the time being this is reflected in the sharp rise in interest rates which usually accompanies the actual crisis. . . .

The marginal efficiency of capital will not rise to a compensating degree. In actual fact, Mr. Keynes holds that it is the sudden *collapse* of marginal efficiency which is primarily responsible for the slump. . . .

It is well known that "an excited man passes from one form of excitement to another more readily than he passes to quiescence." Hence once the basis for the optimism of investors is weakened, we can expect a violent revulsion of sentiment. But there must still be some "real" cause responsible for administering this emotional shock to investors.

This is to be found in the fact that the marginal productivity of capital tends to diminish as the supply of capital-assets increases. . . .

THE IMPLICATIONS OF MR. KEYNES' ANALYSIS

If this explanation of the trade cycle be accepted as sound in its essentials, what wage policy is indicated as the most appropriate in the boom? Mr. Keynes has comparatively little to say on the subject of wage policy during the boom. He advocates "the maintenance of a stable general level of money-wages" in a closed system, but the arguments with which he supports this policy all relate to conditions

during the depression, no mention being made of the possible advantages of such a policy during the phase of expansion. Elsewhere, however, he expresses sympathy with those who attribute slumps to underconsumption, and declares that "these schools of thought are, as guides to practical policy, undoubtedly in the right." He differs from them theoretically in that they believe the trouble to be due to too much investment and too little consumption; whereas he is of the opinion that to ward off slumps both investment and the propensity to consume need to be stimulated. "Whilst aiming at a socially controlled rate of investment with a view to a progressive decline in the marginal efficiency of capital, I should support at the same time all sorts of policies for increasing the propensity to consume. For it is unlikely that full employment can be maintained, whatever we may do about investment, with the existing propensity to consume."

But we are left in the dark as to whether he would give his blessing to the proposal to raise wage rates more rapidly during booms, which generally figures prominently in the programme of the under-consumptionists. The only proposal for increasing the propensity to consume which Mr. Keynes specifically mentions is that for reducing the inequality of incomes by an extension of the taxation of the rich.

According to Mr. Keynes' analysis, wage policy can contribute to the stabilising of production and employment only through its effects on what he describes as the three "independent variables" of the system, viz. the propensity to consume, the schedule of the marginal efficiency of capital and the rate of interest.

(1) *The propensity to consume.* As to the first, the greater the success of labour organisations in preventing the fall in relative wages which normally occurs in

boom conditions, the greater is likely to be the propensity to consume, since there will then be little or no redistribution of aggregate income in favour of the well-to-do. In fact, if at the peak of the boom when investment is on the point of declining, the propensity to consume could actually be raised, it might be possible to maintain approximately full employment, despite the diminution of investment, because the "multiplier" would be increased.

But the question arises: Is it *possible* to check the decline in relative wages during a boom by progressively raising wage rates? It is commonly assumed to be self-evident that a prompter raising of wage rates could eliminate the "lag" of wages behind profits. But Mr. Harrod has suggested reasons for thinking that the greater plasticity of wage rates could not essentially modify the functional distribution of income during a fluctuation in output of given magnitude.

The rate of profit per unit of output of a firm, he argues, must depend on the excess of price over average prime costs. Now, under conditions of imperfect competition, which he takes as the standard case, the equilibrium price is equal to the demand price for the output whose marginal revenue and marginal cost are equal. Hence, if there is to be a shift to or from profit, *i.e.* if the proportion of the gross proceeds retained as profit is to vary, either or both of two changes must occur: (a) the ratio between marginal prime cost and average prime cost must change, or (b) the ratio between price and marginal revenue must change. But Mr. Harrod declares categorically, without offering any detailed proof, that "a change in the rates of reward to prime factors has in general no effect either upon the relation of marginal cost to average cost or upon that of marginal revenue to price."

Suppose, as is approximately the case, that prime costs are all, directly or indi-

rectly, resolvable into labour costs,¹ and that when a given increase in output occurs wage rates rise all round by a certain percentage. Since marginal prime costs and average prime cost will both increase by the same percentage, the ratio between the two must necessarily remain unchanged. This clearly rules out the first of the two alternatives. As to the second, the ratio between demand price and marginal revenue depends solely on the elasticity of demand for a given output:

$$\frac{A}{M} = \frac{e}{e-1}$$

where A = average revenue (here called demand price), M = marginal revenue, and e = elasticity of demand. Now, as we are assuming that the fluctuation in output is of given size, whether wage rates are lowered or not, the elasticities of demand for the component parts of the aggregate output will not be affected by the raising of wage rates. And if elasticities of demand are unaffected so also will be the ratio between demand price and marginal revenue.

If, then, the rise in wage rates affects neither the ratio between average and marginal prime costs, nor that between average and marginal revenue, equilibrium prices will all rise by a percentage equal to the increase in prime costs. Aggregate income will also rise by the same percentage. The ratio between aggregate gross profits and aggregate prime costs

¹ This assumption is made to simplify the exposition. The existence of other elements than wages in prime costs does not affect the subsequent argument, provided it be assumed that wage costs account for the same proportion of marginal prime costs as of average prime costs. The most important other element in prime costs is interest on capital used for the payment of wages. This, being proportionate to the wage bill of each firm, does not, therefore, materially affect the argument in the text. Mr. Harrod, by implication, identifies the prime factors with wage-earners.

will therefore be unaltered. Mr. Harrod's conclusion thus appears to be inescapable: "The plasticity of prime costs will in general have no tendency to produce a shift to or from profit in a fluctuation in output of a given magnitude. . . . In an economy in which prime costs were more plastic we should expect a greater fluctuation of prices to accompany a given fluctuation of output; but we should not expect a greater shift to or from profit." . . .

(2) *The marginal efficiency of capital.*

There is, however, theoretically, one wage policy which might raise both the marginal productivity and the marginal efficiency of capital at the crucial stage of the boom. If, when investment is on the point of shrinking; wage rates were progressively reduced in the capital-producing industries, the costs of production, and in consequence the prices, of new capital assets would fall and thus cause prospective *rates* of profit on new investment to be higher than they would otherwise have been. And as long as the demand for new capital goods had an elasticity of not less than unity, the amount of investment (as measured in terms of money) could then be maintained without diminution. If the demand for new capital goods were inelastic, the amount of investment would, of course, shrink, and with it the aggregate income, in spite of the fall in the prices of new capital.

To some extent, as was pointed out above, wage rates in this particular group of industries do already react in this way when activity begins to decline. But the wage adjustments are too slow and small in amount to generate a revival of investment before the depression has become general. In any case, it is not until the symptoms of a recession have definitely established themselves in the form of lower prices, lower proceeds or increased unemployment, that the adjustments to wages are made.

But whatever may be the theoretical possibilities of such a wage policy, it is clearly quite impracticable. In the first place, to be effective, wage reductions would have to be made at a right moment impossible of determination, viz. at the time when, in the absence of any lowering of the costs of capital assets, investment would begin to decline. But the art of business forecasting is not yet capable of making such accurate and reliable prognostications as astronomy. If the right moment is missed and investment begins its declension, aggregate income will start to shrink, owing to the "multiplier," and a general recession is well-nigh inevitable. Of course, to make sure of not being too late, wage rates might be lowered before the peak of investment is reached; but such a procedure would certainly never be accepted by the wage-earners concerned. Although they are accustomed to fluctuating rates of pay, workers in the heavy industries would certainly insist on making hay as long as the sun continued to shine; they would require incontrovertible evidence of a worsening of trade before agreeing to discuss a drop in their wages; and by that time the right moment would have passed.

Furthermore, it would not be enough to reduce their wages on a single occasion; there would have to be repeated cuts if the decline in the marginal productivity of capital were to be offset over a longish period of time. But no policy of deliberately imposing steadily falling real wage rates on one group of workers, in the interests of general trade stability, could be tolerated by public opinion; and least of all would it be tolerated by the workers concerned. . . .

(3) *The rate of interest.* If wage rates rise during a boom, aggregate money income will be greater than it would otherwise have been, and this must affect the demand for money, both by income-receivers and by business firms. Money, in

the form of currency or bank deposits, is required by income-receivers to finance the expenditure which has to be incurred between the successive instalments of income. Clearly, the longer this interval and the greater each instalment of income, the greater is the amount of money which will be held on an average day. Similarly, business firms have to bridge the gap between the incurring of production costs and the receipt of payments for their output; and again, the longer the period which they must wait before receiving payment, and the greater the value of their output, the greater the amount of money which they need to keep on the average day. Both these classes will therefore find it convenient to hold increased amounts of money if wages rise; in Mr. Keynes' terminology, the schedule of liquidity-preference will rise.

Now, as long as additional money is supplied by the State or the banks to meet this increased preference for liquidity, no rise in the rate of interest need occur. But hitherto a limit has always been reached beyond which the banks have not been prepared to go, with the result that interest rates have risen. Whether the banks should pursue some different credit policy from that which they have followed in the past cannot be discussed here, as it would take us too far from our subject. But clearly, as long as any such limit exists, wage increases, by raising the schedule of liquidity-preference, can only have the effect of hastening the day when the limit is reached; they will therefore tend to shorten the boom.

On the other hand, if wage rates start moving downwards shortly before the limit of monetary expansion is reached, aggregate income will tend to shrink and the schedule of liquidity-preference will fall in consequence. Given the supply of money which the banking system is prepared to provide, this in turn should permit of a fall in the rate of interest. We

have thus reached, by a different route, Professor Hayek's conclusion that in a system with a given effective supply of money, the undertaking of additional investment, or, in his terminology, the lengthening of the structure of production, requires a steady shrinkage of aggregate money income (though not, of course, of aggregate real income). If the supply of money is not increased and there is no voluntary shrinkage of income, investment will decline; a crisis will ensue; and thus a *forced* shrinkage of aggregate income, accompanied by all the evils of a general depression, will be imposed on the community. Theoretical analysis thus indicates that as long as the monetary system is liable periodically to reach a limit beyond which no expansion of the supply of money is possible, the maintenance of the rate of investment so as to avoid a general depression requires the voluntary acceptance of smaller money incomes all round (including wages) whenever such a limit is approached.

But it is in the highest degree unlikely that the wage-earning classes would ever voluntarily accept such a deliberate policy. Organised labour rejects the case for general wage cuts even during a widespread slump. How much more vigorously would it oppose proposals for cutting wages before slump conditions had actually materialised! In the absence of voluntary acceptance, the imposition of such a policy could only embitter industrial relations and lower efficiency by weakening the incentive to work. Again, it must be admitted that it would be difficult to persuade people that they were becoming "better off," even though such were the case, if their money incomes were falling. A given increment of real income is psychologically much more satisfying if it comes in the form of a greater *money* income, prices in general remaining constant, than if it arises through prices falling more rapidly than money incomes.

Furthermore, even if the economic enlightenment of the general public advanced so far that the theoretical case for a diminishing aggregate income could be appreciated, there would still be a serious objection on the ground that under such an arrangement the rentier class, with its comparatively fixed money incomes, would be able to appropriate a steadily increasing proportion of this declining money income. Such a consequence would not only be generally condemned on the ground of its injustice, but would also have unfortunate economic repercussions. Entrepreneurs would have the prospect of selling the output yielded by a given equipment at steadily falling prices, but with no corresponding reductions in the fixed interest charges they incurred in providing that equipment. Net profits would thus fall more rapidly than wages and still more rapidly than rentier incomes. The inducement to invest would thus be weakened.

To some extent, of course, fixed charges could be gradually reduced by conversion schemes, bankruptcies and so forth, but there is no doubt that they would fall less rapidly than gross profits. The stimulating effect of falling interest rates which the policy in question would produce would thus be counteracted, and possibly completely neutralised, by the weakening of the inducement to invest also generated by this policy; the precise outcome would depend upon how rigid these fixed charges proved to be in practice. The inflexibility of fixed indebtedness would inflict further damage by increasing the real burden of the National Debt. For these various reasons, the policy of reducing wage rates as soon as the limit of monetary expansion is reached, in order to lower interest rates and keep up the volume of investment, is simply not practical politics. And this would appear to be the only wage policy which, assuming

the continuance of past monetary policy, might, though this is by no means certain, have some stabilising influence on the economic system.

General conclusions. This brief survey of modern trade cycle theory has thus brought us to the negative conclusion that no practicable preventive of slumps is likely to be found in the "planned" adjustment of wage rates during a period of expanding activity. The leading explanations of the trade cycle agree in concentrating on the decline in real investment and the contemporaneous rise in the rate of interest as the crucial stage of the cyclical process, though they differ as to the causation of these characteristic features. It is difficult to see how a policy of accelerating increases in the general level of wage rates could counteract the tendency for interest rates to rise and for investment to fall; such a policy is in fact much more likely to bring the boom quickly to a head. In theory a steadily falling wage-level has more to commend it, though there is an element of doubt as to how effective it could be even under favourable circumstances. But circumstances would certainly not be favourable to such a policy owing to the resistance and friction it would generate.

A. G. POOL¹

Wage Policy— the Period of Depression

One feels that greater flexibility of wages during boom periods has commonly been advocated, not through a firm belief

¹ From A. G. Pool, *Wage Policy in Relation to Industrial Fluctuations*, by permission of The Macmillan Company, publishers, London, 1938, pp. 134-40, 144-45, 147-51.

that the boom might thereby be perpetuated, but simply as a means of securing greater flexibility in the slump, when it *would*, it is alleged, be of real use. If workers are to be asked to accept reductions in rates in a time of depression, increments must be conceded to them during the boom. Employers cannot, in all conscience, expect to have it both ways: an assured margin of profit, through wage reductions, in a slump, and a widening margin, through rigid wages, in a boom. But the real objective behind the advocacy of greater plasticity of wages would certainly appear to be the securing of prompter and larger reductions during a recession. As to the need for these reductions, there has, until quite recently, been something like unanimity among professional economists.

Why should there be this asymmetry in the alleged role of wage policy in the different phases of the trade cycle—nebulous and unconvincing reasons for urging plasticity during a boom, and its emphatic and confident advocacy during a slump? The explanation would appear to be quite simple. It follows from the general theory of wages that, given the conditions of real demand for labour in industry as a whole at any time, there is one level of real wages which will establish equilibrium, *i.e.* will prevent the appearance of either unemployment or unfilled vacancies. This equilibrium wage-level is equal to the marginal productivity of the supply of labour seeking employment at that wage. If wages are above this marginal productivity, part of the available labour will fail to find employment; conversely, if wages are below this level more labour will be required by entrepreneurs than is available, and some vacancies will remain unfilled.

Now the trade cycle, it is alleged, is characterised by fluctuations in the schedule of real demand for labour. During a

boom, when the demand for labour is rising, any failure to raise real wage rates promptly can, at the worst, only result in the emergence of unfilled vacancies when all suitable labour resources have been absorbed into employment. In fact, the greater the "wage-lag" the more rapidly will the stage of full employment be reached. And since the boom may collapse before the stage of full employment is reached, the marginal productivity of the labour actually in employment may never rise above wage rates, except possibly in the case of some highly specialised categories of skilled workers who become scarce in the later stages of the expansion. There is, therefore, no reason for thinking that any dire consequences are likely to follow from the rigidity of wage rates during a boom period; on the contrary, if rates are raised in too thorough-going a fashion there may be no expansion of employment at all.

But the situation is very different in a depression, when the demand for labour is falling. Any delay or inadequacy of the reductions in real wage rates must now, it is argued, cause a contraction of the volume of employment, and, of course, of production. Prompt wage reductions in these circumstances would have the effect of inducing entrepreneurs to keep up the volume of employment in spite of the decline in the marginal productivity of labour.

The formal correctness of the preceding argument cannot be challenged. Given the schedule of real demand for labour, an increase in real wage rates must cause the volume of employment to decline, except in so far as there exist unfilled vacancies before the wage increase occurs; and conversely, lower real wages will increase employment, unless all labour resources are already fully utilised.

But can a "barter" analysis, couched in terms of real wages and real demand

functions, be legitimately applied to a situation which is what it is primarily because barter is not practised? The genesis of cyclical depressions is certainly to be found in the peculiar properties of a monetary system, and particularly in the possibility of using money as a "store of wealth" and varying the amount of wealth stored in this way by speeding up or slowing down the circulation of money. Unemployment arises in a slump not because of a change in the physical productivity of labour, but because a hitch in the monetary circulation causes a decline in the aggregate effective demand, in terms of money, for commodities in general. It appears, therefore, to the present writer, that an analysis which abstracts from the peculiar properties of money can lead to no valid conclusions when it is applied to a conjuncture which owes its origin to those properties.

In actual fact, wages are fixed not in terms of "wage goods" but in terms of money; reductions in real wage rates can, therefore, be effected, if at all, only via reductions in money wages. But if, as a consequence of lower money wages, aggregate effective demand (in terms of money) and the general level of prices decline to an approximately equivalent extent, real wage rates will not fall and employment will not expand. The vital question to be considered (and barter analysis throws absolutely no light on this) is therefore: What is likely to be the effect of reductions of money wages on aggregate effective demand, *i.e.* on the rate of aggregate money expenditure in a given period of time?

THE EFFECT OF REDUCTIONS OF MONEY WAGES ON AGGREGATE EFFECTIVE DEMAND

Resistance to money wage reductions during a general trade depression has been commonly defended by the spokesmen of the wage-earning classes on the

ground that if wages are reduced, aggregate purchasing power will shrink; consequently the demand for labour will fall so that employment will be no greater at the lower wage rates than it was at the higher. This contention has been usually condemned as fallacious on the ground that the immediate effect of a general reduction of wages is not to *destroy* purchasing power, but to *transfer* it from wage-earners to entrepreneurs, leaving aggregate purchasing power quite unaffected. Purchasing power in the hands of profit-makers is just as capable of creating demands for labour as purchasing power in the hands of wage-earners; though, doubtless, the transfer from the one group to the other will cause some shift in the direction of the demand for labour.

But this rejoinder provides no proof that aggregate effective demand will remain unchanged. Obviously a transfer of purchasing power must occur if money wages are reduced, *assuming total money income to remain constant*; but it still leaves quite unsettled the problem as to whether we are entitled to make this assumption. One might just as legitimately argue that wage reductions *will* reduce effective demand, on the ground that if entrepreneurs continue to produce the same real output, a reduction of money wages will cause aggregate money income to fall to the level which just permits the purchase of this output at the lower prices which the wage reductions make possible. Both arguments simply beg the question at issue.

The most promising line of attack on this problem is that indicated by Mr. Keynes' analysis, *viz.* to investigate the probable effects of reductions of money wages on the three variables which together determine the magnitude of aggregate effective demand: the propensity to consume, the marginal efficiency of capital and the rate of interest.

(1) *The propensity to consume.* As to the first, we have seen in the last chapter that the variation of money wage rates is not likely to modify appreciably the ratio between the wages and gross profits associated with a given output; for marginal prime costs and average prime costs will tend to vary by an approximately equal percentage, so that gross profits will continue to account for the same proportion of sales proceeds. There is, therefore, no reason for supposing that a general reduction of wages would redistribute the income associated with a given output in favour of profit-makers, so that the propensity to consume is likely to remain unaffected. That being the case, wage reductions are not likely to cause output and employment to expand through their effects on the first variable.

On the other hand, it also follows that the propensity to save is not likely to be increased. This disposes of the main objection to wage reductions raised by the underconsumptionists. . . .

(2) *The marginal efficiency of capital.* Secondly, are general reductions of money wages calculated to set up realisable expectations of higher rates of return on new investments? If we can answer this in the affirmative, then we can conclude that output and employment will certainly tend to expand.

Let us take first the case of an open system maintaining fixed rates of exchange between its own and foreign currencies. Lower money wages will clearly enable the country in question to lower its costs of production relatively to those of other countries; exports will be stimulated, and the foreign balance will become more favourable. Additional capital will be invested in the production of goods and services for export, and aggregate income will increase in consequence to an extent determined by the "multiplier." But, as we have noticed earlier, the achievement

of this favourable reaction is conditional on the willingness of other countries to permit an adverse movement of their balance of trade without resorting to tariffs, quotas, etc., and to maintain their own level of money wages undiminished. Neither condition is likely to be realised in full at a time of widespread world depression. . . .

(3) *The rate of interest.* It is the influence of wage reductions on the third variable, the rate of interest, which is by far the most favourable to recovery. The demand for money to hold, associated with a given aggregate output, on the part of both wage-earners and entrepreneurs, will tend to fall if wages are cut, and this, *ceteris paribus*, will lower interest rates.

(i) But it is now common knowledge that no speedy and spectacular recovery of trade can be induced by abnormally low interest rates, whether these are produced by banking policy or by a general deflation of incomes. If the marginal efficiency of capital is practically zero, even a 1 per cent rate of interest may have little immediate effect on investment. All that can be said for the lowering of interest rates by means of general wage-cuts is that it will make conditions more favourable to recovery if and when something occurs to raise the prospective yields of new investments.

(ii) Since wage-cuts will be accompanied by a lower price level, there will be a relative increase in the real burden of fixed costs, so that some bankruptcies are likely to occur which might otherwise have been avoided. Hence, the lowering of wages in order to get down the rate of interest may, in the short period, cause more disinvestment than investment. Its influence, therefore, for the time being, may be unfavourable to recovery.

(iii) The case for wage reductions in a slump would, in fact, be greatly strengthened if they were undertaken as part of a

wholesale scaling-down of every type of money income, including salaries and fixed rents, interest and dividends. To some extent rentier incomes can be reduced during slumps, e.g. by converting debenture issues to lower rates of interest, lowering rents when leases expire and so forth; but on the whole, they are certainly much more rigid than any other type of income. Doubtless, the recipients of such fixed incomes would feel morally justified in opposing the scaling-down of their incomes. Since they have to put up with the decline in their real incomes (through rising prices) which normally occurs during booms, they will consider themselves entitled to any fortuitous gains which arise from the fall in the price-level during slumps. . . .

One might have expected, if wage policy really is a significant factor in the situation, that the last depression would be much less acute and the recovery more rapid in the United States than in Great Britain, since wages were much more plastic in the former than in the latter. Yet the reverse proved to be the case. "No country has suffered more intensely from the depression than the United States; and in no other country, and at no other time, have such wholesale and drastic cuts been made in wages, salaries and every element of money costs as were made in the United States between 1930 and 1933. The obvious moral of the American experience is that a general lowering of wage rates serves to accentuate and perpetuate the vicious circles of depression. Indeed the subsequent adoption by President Roosevelt of policies designed to increase consumers' purchasing-power is largely attributable to the widespread belief in the United States that the idea of counteracting a depression by lowering wages and money incomes has been shown by experience to be a fallacy."

This apparent incompatibility of recent

American experience with the doctrine that wage-cuts are a specific for trade depressions may be due, as has been contended by Professor Robbins, to the delay in enforcing wage-cuts. In the earliest stages of the American slump an attempt was made to keep up consumers' purchasing power by maintaining wage rates; it was not until the depression was established beyond all shadow of doubt that the policy of wage-cuts was generally adopted. But this attempted harmonisation of facts and theory is mere conjecture; it is very far from certain that wage reductions would have had any more stimulating effects in 1929 than they did in 1930 and the subsequent years.

WAGE INCREASES AS A REMEDY FOR TRADE DEPRESSION

What, then, can be said for the opposite policy, commonly advocated by labour leaders and actually adopted in the New Deal, of *raising* money wage rates during a slump? The arguments by which this policy has been supported have generally been condemned by economists as mere sophistries. Thus Sir William Beveridge writes: "It is true that at certain phases of the trade cycle, and if you are a very clever economist indeed who holds a particular theory as to the cause of trade cycles, you can put up a plausible argument that increased wages, even though they raised the cost of labour might actually stimulate the employment of labour." Now admittedly most of the arguments which have been used to bolster up this wage policy are deserving of this ironical reception, but not all of them. The argument to which Sir William himself referred, viz. that wage increases will bring "idle money" back into circulation and so stimulate effective demand, is not worth very much. There is obviously a world of difference between utilising "idle money" to employ more workers at existing wage

rates, and utilising it to employ the same number of men at higher rates. In the latter case there is no stimulus to employment, since the whole of the additional purchasing power will be needed to buy the same output at the higher prices which must now be charged.

But we have seen that wage increases, by raising the general price-level, tend to reduce the real burden of fixed indebtedness; this supplies one substantial reason for advocating rising wages as a means of lifting industry out of a depression. Moreover, the main objection to wage increases at the height of a boom, viz. that they will cause interest rates to rise even more than they would otherwise have done, hardly applies in the depths of a depression; at such times, banks are generally willing to allow a considerable credit expansion at existing rates of interest. The rate of investment, and consequently the volume of employment, is not likely to be damaged by any adverse reactions on the rate of interest.

However, if there is only a limited amount of additional credit which a banking system can supply in the course of a given boom, the using up of part of the "slack" in the credit system to finance wage increases in the early stages of revival must presumably have the effect of shortening and lessening the subsequent expansion. Any benefit which might conceivably be derived during the depression from this policy would therefore be at the expense of output and employment in the later stages of the boom.

Furthermore, if one country, with fixed rates of foreign exchange, pursued alone a programme of wage increases, the slump in that country would almost certainly be aggravated through the adverse repercussions on the export trades. Again, owing to the conviction of entrepreneurs that wage increases are unfavourable to business recovery, their outlook might become

even more pessimistic and investment would then fall to a still lower level. If each entrepreneur were assured that his costs would rise no more rapidly than those of other entrepreneurs, *i.e.* no more rapidly than aggregate purchasing power, this unfavourable reaction could be minimised. But to provide a guarantee of this kind, it would be necessary to set up some central authority to arrange for all wage rates to rise *pari passu*; and the existence of an authority with general wage-fixing powers would introduce an additional element of uncertainty into the calculations of business men and would not, therefore, conduce to recovery. In view of these various considerations, all-round wage increases cannot be expected to help to resuscitate a depressed economic system; on balance, such a policy is more likely to do harm than good.

General conclusions. Our examination of the probable influence of different wage policies on the course of the trade cycle, both in boom and depression, brings us to the final conclusion that a greater plasticity of wage rates than at present exists is not likely to make any appreciable difference, one way or the other, to the cyclical fluctuations in output and employment. An increased flexibility of wages during the phase of expanding activity could not prevent the decline in investment which precipitates the crisis; and, though there is one respect in which wage flexibility might have favourable repercussions during a depression, it appears to be highly unlikely, on a balance of the factors affecting the situation, that it will stimulate investment in this phase of the cycle.

Moreover, it can be urged against the plasticising of wage rates that the instability of the price-level would thereby be accentuated, and so also would the fluctuations in the real burden imposed by fixed indebtedness; and these are consequences with which we can very well dispense.

It is certainly in the interests of entrepreneurs and taxpayers making contractual payments fixed in terms of money, and also of the rentier classes themselves, that the real burden of debts should fluctuate as little as possible. If, by de-stabilising money wage rates and thereby aggravating the instability of the price-level, it were possible to moderate trade depressions and attain a higher average level of output, these disadvantages arising from the wider fluctuations of the price-level might be borne with fortitude; but we have found no good reason for thinking that such is likely to be the case.

WILLIAM H. BEVERIDGE ¹

Wage Determination under Full Employment

William H. Beveridge (1879-) is an English economist, president of the Royal Society; he was formerly director of the London School of Economics, and consultant to many government agencies and commissions on problems of social security and labor economics.

The problem of how wages should be determined under conditions of full employment is more important and more difficult. The article already quoted from *The Times* names as a second function of unemployment in a private enterprise economy the function of preserving the value of money:

"If free wage bargaining as we have known it hitherto is continued in condi-

tions of full employment there would be a continuous upward pressure upon money wage rates. This phenomenon also exists at the present time and is also kept within bounds by the appeal of patriotism. In peace-time the vicious spiral of wages and prices might become chronic."

There is here an implication of full employment which calls for careful consideration.

The right of wage earners to combine for the purpose of negotiating wages, hours, and conditions of work is generally regarded as an essential British liberty; the tradition that they should bargain sectionally, each craft and trade for itself, is old and strong. Making the labour market generally a seller's market rather than a buyer's market will increase permanently and markedly the bargaining strength of labour. In so far as this leads to labour, as a whole, gaining a larger share of the total product of industry, it leads to a desirable result. But, given the sectional structure of trade unionism, that is not the only possible result. Particular wage demands which exceed what employers are able to pay with their existing prices and which force a raising of prices, may bring gains to the workers of the industry concerned, but they will do so at the expense of all other workers, whose real wages fall owing to the rise in prices. The other workers will naturally try to restore the position, by putting forward demands of their own. There is a real danger that sectional wage bargaining, pursued without regard to its effects upon prices, may lead to a vicious spiral of inflation, with money wages chasing prices and without any gain in real wages for the working class as a whole.

It is necessary to face this possibility. Irresponsible sectional wage bargaining may lead to inflationary developments which bestow no benefits upon the working class; which spell expropriation for the

¹ Reprinted from *Full Employment in a Free Society*, by William H. Beveridge, by permission of W. W. Norton & Company, Inc., copyright 1945 by the publisher, pp. 198-201.

old-age pensioner and the small rentier; and which endanger the very policy of full employment whose maintenance is a vital common interest of all wage-earners. How real is this possibility cannot be decided on theoretical grounds. Employers, under full employment in peacetime, will not find it as easy to raise prices in response to increased wage costs as they find it when working on war contracts on a "cost plus" basis. Thus they will resist unreasonable wage demands more strenuously. Since peacetime demand, moreover, is more flexible than wartime demand, some industries at least will be able to raise prices only at the cost of a loss of trade to other industries. But the fact remains that there is no inherent mechanism in our present system, which can with certainty prevent competitive sectional bargaining for wages from setting up a vicious spiral of rising prices under full employment.

Two suggestions may be made for dealing with this problem. First, the central organizations of labour, such as the Trades Union Congress General Council, should devote their attention to the problem of achieving a unified wage policy which ensures that the demands of individual unions will be judged with reference to the economic situation as a whole. If prices are kept stable, as is suggested below, rising productivity will make possible a continuous, if not spectacular, rise of money wages, even if the share of the total product that goes to the wage-earner remains no higher than at present. If that share can be increased, wages may rise still more; such a development is desirable from the economic as well as from the moral point of view. But the attempt to bring it about must be a co-ordinated attempt; it must not be a blind groping and pressing by numerous groups, each of which sees only its own sectional interest and tries to exploit its particular strate-

gic advantages, and none of which attempts to judge the position of the whole economy. Organized Labour in Britain has sufficiently demonstrated its sense of citizenship and responsibility to justify the expectation that it will evolve, in its own manner, the machinery by which a better co-ordinated wage policy can be carried through.

The second suggestion relates to arbitration. In the new conditions of full employment, wages ought to be determined by reason, in the light of all the facts and with some regard to general equities and not simply by the bargaining power of particular groups of men. This suggests, not that there should be continuance in peace of the compulsory arbitration which has been accepted in war, but that collective bargains in each industry should in general include a clause for arbitration by an agreed arbitrator, in default of agreement between the parties. The employers' association and the union would thus be pledged in advance to accept the arbitration and to give no support of any kind to lock-outs or strikes in defiance of arbitration. But just as it has been argued above that, in a free society in peace, mere refusal to work by an individual should not be the subject of criminal proceedings, the same should apply to refusals which are not individual but collective. In other words . . . men should not be imprisoned for striking, though they may rightly be deprived of all support if the strike is contrary to a collective bargain or an agreed arbitration.

So long as freedom of collective bargaining is maintained, the primary responsibility of preventing a full employment policy from coming to grief in a vicious spiral of wages and prices will rest on those who conduct the bargaining on behalf of labour. The more explicitly that responsibility is stated, the greater can be the confidence that it will be accepted. But

both the State and the managers of business have their part to play. The part of the State lies in the adoption of a definite policy of stable prices . . . ; it is unreasonable to expect from trade unions a reasonable wage policy, unless there is a reasonable price policy, just as much as it is impossible to have a price policy without a wage policy. The part of business managers lies in accepting the need for making available to others than themselves full information as to the financial condition of industry. Wages ought to be determined by reason, not by the methods of strike and lock-out. Ordeal by battle has for centuries been rejected as a means of settling legal disputes between citizens. Strikes and lock-outs, though they cannot in a free society be forbidden by law, are anachronisms as indefensible as ordeal by battle. They should give place to reason, but reason cannot work in practical affairs without facts. The correlative to acceptance by trade unions of an arbitration clause in all collective bargains would be acceptance by employers in all important industries of standardized accounting practice and their readiness to put all facts as to profits, costs and margins unreservedly at the disposal of the arbitrator and an expert staff for criticism.

A. H. HANSEN¹

Wages and Prices: The Basic Issue

Recent wage demands have brought us face to face with the problem of what to do with wages and prices. We are com-

pelled to think through the basic issues involved.

A little historical perspective may be helpful. Under the play of more or less automatic forces prior to World War I, how did wage and price movements work out? Roughly, if we take the seventy-five year periods (1840-1914), we discover these interesting facts:

(1) The long-run trend of prices was roughly stable.

(2) Money wages per worker rose from an index of 100 to about 250.

That money wages (and more generally money incomes of all classes) should have risen relative to prices follows inevitably as a result of ever-increasing productivity per man-hour. As output per capita increased, money incomes would necessarily have to rise in order to permit the purchase of an ever-growing volume of output at constant prices. And assuming no great change (as in fact was the case) in the distribution of income, wages per worker could be expected to rise approximately at the average rate of growth of money income.

Now, of course, wages might have remained constant, while increasing productivity expressed itself in ever-falling prices. Indeed, some economists argue that this course of events is to be preferred. This, in fact, was *not* what happened in the nineteenth century. Instead, wage and other money incomes rose approximately in proportion to increases in production. With substantially stable prices over the long run (we are here considering only the *trend*) more and more goods could be purchased as wages and other money incomes rose.

This development was, I think, a wholesome one. And now that we are compelled to adopt a conscious policy, through collective bargaining and Government mediation, with respect to wages and prices, I believe we can do no better than to strive

¹ By permission of the author from A. H. Hansen, "Wages and Prices: The Basic Issue," *New York Times Magazine*, Jan. 6, 1946.

for a result broadly similar to that reached in the nineteenth century.

Why should the gains of increasing productivity be taken out in higher wages and incomes and not in an ever-falling general price level?

To this there are several answers. In practice it is not easy under modern conditions to insure that prices will be lowered whenever increased productivity reduces unit costs. There is under modern conditions no automatic mechanism by which this can smoothly and easily be accomplished. There are too many monopolistic or quasi-monopolistic factors present in the modern world (including the condition of "monopolistic competition," widely discussed in recent years by economists). On the other hand, the machinery of collective bargaining is at hand to enforce wage increases. Moreover, wage increases represent tangible and clear evidence of progress to the wage-earner. Higher wages in the pay envelope is impressive; lower prices are only vaguely noticed if at all.

There is the further point that if increased productivity were not reflected in higher money earnings, serious frictions would develop in the labor market. In order to hold weekly earnings constant, piece rates would have to be lowered every time new machinery and new production methods were introduced. To be sure, new piece rates are continually being set, but unless they are so set as to yield higher earnings there is likely to be serious trouble. The worker will be convinced that he has been robbed of all the benefits of larger output. He is producing more and more pieces but he gets no more money. Such a wage policy would destroy all incentive to increase output. The same argument holds no less for time-rate wage systems.

But this is not all. Rising money incomes (as output rises) benefits the *active*

groups (entrepreneurs and workers) in the community. This stimulates progress. Debt burdens decline, as income rises. The *active* elements gain while the passive elements (mortgage and bond holders) merely hold their own. Thus effort and enterprise are rewarded.

The problem of Government finance is greatly facilitated by a rising money income. Even though tax rates are left constant, revenues will not only rise, but will even rise more rapidly than income if the rate structure is progressive. Thus tax burdens are eased.

Finally, the savings-investment problem—one of the most basic and fundamental confronting all advanced industrial communities—would be greatly accentuated if money incomes remained constant while prices declined. As prices fell, depreciation funds (gradually accumulated over the lifetime of the capital goods) would buy, when finally spent on new equipment, far more than the amount needed for replacement. Thus, the investment outlet for *net* saving would be diminished. Moreover, the fixed income class, whose real incomes would rise with falling prices, would tend to save more. In various ways, therefore, the savings-investment problem would be intensified.

Accordingly, there are good grounds for believing that the long-run movement of wages and prices actually experienced in the nineteenth century represents the most desirable pattern. This historical development, to be sure, did not take place smoothly, but rather by fits and starts.

Now for an over-all view of the current situation. Contrast it with that of 1919-23. During World War I we witnessed a sharp rise both in wage rates and prices. Both wage rates and prices more than doubled. In World War II, however, wage rates and prices remained comparatively stable. Following World War I there occurred a rapid rise (1919 to 1923) in real

wages. Cost of living prices receded, but wages stayed at the wartime levels. In 1923 cost of living prices stood at 172 (1913 = 100) while the wage index was 220; wages had thus risen 28 per cent relative to living costs. The gain of wages over prices occurred mainly in three years from 1920 to 1923.

The discrepancy was still wider between wages and wholesale industrial prices—the sales prices of producers. In 1923 the industrial (non-agricultural) price index stood at 146. Wages (at 220) had therefore risen 50 per cent above industrial prices.

Over-all real wages thus rose sharply immediately after World War I. New methods of production, improved machinery, better organization (stimulated in part by the war) made this possible. This substantial gain in real wages provided a firm foundation for the high buying power of the Twenties. But as we moved into the late Twenties, wages failed to keep pace with increasing productivity, and we experienced in consequence a disastrous profits inflation. This created an unstable situation and contributed to the stock market boom and collapse of 1929. There was, however, no price inflation. . . .

This is the general over-all picture. But how does the matter stand industry by industry and firm by firm?

Wages in general should rise in accordance with *average* over-all gains in productivity. But some industries can make very exceptional gains, while others cannot. Even though the management is equally efficient, the special technical conditions in different industries will cause widely diverging movements in man-hour productivity. If wages in the efficient industries absorb all the gains of increased productivity, while the stagnant industries grant no wage increases, we should very

soon reach a seriously distorted wage structure.

Thus the mere fact that industry X *can* pay a 50 per cent increase in wages is no proof that it should. On the contrary, if the over-all increase in productivity is say 20 per cent, industry X should raise wages, perhaps a little more than the average (say 20 to 25 per cent) and pass on most of the remaining part of its exceptional gains to consumers in the form of lower prices. A highly progressive industry is indeed entitled to more than average profits. But the bulk of the gains must (or else the economic machine will soon be stalled) be passed on to workers and consumers in higher wages and lower prices.

If industry Y can make no gains in productivity, it will nevertheless be compelled to pay higher wages. Being a relatively stagnant industry, it could scarcely be expected to raise wages as soon, or even as far, as the progressive industries. But wages must go up, or else a violent distortion will occur in the wage structure. Since industry Y has enjoyed no gains in man-hour productivity, it must be permitted to charge higher prices.

Thus the exceptionally progressive industries will be able to *lower* prices. But the stagnant industries will need to raise prices. Industries enjoying *average* gains in productivity can raise wages without raising prices. The net effect is an all-around increase in wage rates, while the general level of prices remains stable. But while the *general level* of prices remains stable, the *structure* of prices is changing in accordance with changing technological conditions varying from industry to industry.

From what has been said, it is evident that under modern conditions we are compelled to take an over-all view of wages and prices. The facts laid on the collective bargaining table, industry by

industry, must include the over-all picture of the economy as a whole, in addition to the facts relating to the industry in question.

This is only another way of saying that the consumers of the nation as a whole (including the workers in other industries) have a vital stake in each industry bargain. The collective bargain in each

industry has become a matter of national concern. The public interest must be recognized in each agreement or the general welfare will suffer. Hence the need for comprehensive statistics bearing on the economy as a whole. These, no less than the specialized statistics of each industry, must become a part of the data controlling each piece-meal wage agreement.

WAGES AND UNION RESPONSIBILITIES

SUMNER H. SLICHTER ¹

A Responsible Labor Movement?

The spread of labor organization which has been accelerated by the war represents one of the greatest shifts of economic power in history. It greatly increases the ability of employees to appropriate the gains of successful ventures and of technological progress. In the absence of labor organization these gains would be passed on sooner or later to consumers. Unless the shift in bargaining power produces a sufficient rise in the rate of technological discovery, it is reasonable to suppose that the prospect for profits is reduced by the capacity of unions to convert all or part of the proceeds of successful ventures into higher wages. Consequently, the investment function shifts with the bargaining power of labor. So also to some extent does the distribution of income and hence the propensity to consume, although the

evidence points to the conclusion that the distribution of income is surprisingly little affected by changes in labor's bargaining power. Hence we may conclude that for every distribution of bargaining power between employers and workers there is a different investment function, a different consumption function, and a different schedule of liquidity preference. There is nothing to assure that the distribution of bargaining power between employers and workers will be such as to make possible a high level of employment. Hence is it not likely that the gains of labor organization during the war will produce unfavorable shifts in the investment function and in the schedule of liquidity preference and thus aggravate the problem of maintaining full employment and a high standard of living after the war?

This question seems to require an affirmative answer. Nevertheless, the chances are good that the new distribution of bargaining power may produce no serious general problem for at least a few years after the war—possibly not before 10 or 15 years. It was stated in an earlier section that the war will leave an enormous quantity of technological discoveries to be exploited and that it will produce a substantial jump in industrial research. In fact, it

¹ By permission from Sumner H. Slichter, "Labor After the War," *Postwar Economic Problems*, ed. by Seymour E. Harris, copyright 1943, by McGraw-Hill Book Co., Inc., New York, pp. 251-55, 261-62.

would not be surprising if the outlays for technological research in 1945 were double those of 1940. Both the war's legacy of discovery and its effect on the size of research organizations will produce favorable shifts in the investment function.

Added to this is the probability that even an unfavorable investment function will be offset for some years after the war by an abnormally high propensity to consume. At least this will be true if the control of prices during the war and immediately after is reasonably effective. There will be large quantities of war savings bonds to be converted into goods. Even if the increase in tax revenue and in the sales of war savings bonds far exceed present estimates, demand deposits by the middle of 1943 are likely to be \$45 billion or more, and, by the middle of 1944, \$55 billion or more. At the end of 1929, demand deposits were \$16.4 billion and when the war started about \$27 billion. If price controls limit the rise in the level of prices to not more than 60 or 75 per cent above 1939, demand deposits will be abnormally high in relation to incomes and prices. A large and sudden attempt to shift from cash to goods would produce a boom and a collapse. If such attempts can be prevented, the large volume of demand deposits would tend to stimulate a steady increase in production. Eventually, of course, the expansion of production and the rise in prices would eliminate excessive liquidity. While this adjustment was going on, labor might possess great power to appropriate profits without seriously limiting the volume of employment. The warning should be repeated, however, that, after the outlook for profits becomes too unfavorable, surplus liquidity disappears very rapidly.

After the effect of the war upon the rate of technological change has worn off, and after money incomes have been brought into normal relationship with the volume

of cash, will not the great bargaining power of labor prevent the attainment of full employment and thus limit the standard of living of the workers? This is a possibility. One may argue that the maldistribution of bargaining power cannot become very extreme, partly because gains in labor's strength will stimulate counter-organization by employers and partly because the bargaining power of the workers is limited by the unemployment which itself is a result of the bad distribution of bargaining power. Support for these arguments may be derived from the experience of Britain and Sweden and to some extent from the United States. One may argue also that the ill effects of a maldistribution of bargaining power are not likely to be serious because the very gains in labor's power stimulate technological discovery. The fact remains, however, that there is nothing to *assure* that the distribution of bargaining power between employers and workers will not produce a large amount of chronic unemployment. Perhaps it will not, but possibly it will.

The basic difficulty seems to be that the customary bargaining units, the enterprise, the region, or the industry, are too small. They do not permit employers and workers to take account of the full effect of their decisions upon the general level of employment. Furthermore, the available evidence points strongly to the conclusion that for the nation as a whole the conditions which make possible the largest pay rolls also make possible the largest profits. Profits and pay rolls almost invariably move upward and downward together, and in such a way as to suggest that for each change of 1 billion in the prospect for profits there are corresponding changes of about 2 to 5 billions in the amount which employers are willing to pay for labor. The greatest possibilities of collective bargaining, therefore, will probably not be achieved until representatives of

labor as a whole and of business as a whole are able to fix the broad outlines of a national wage policy. A wage policy, in order to be truly national, would need to reflect the interest of labor as a whole in the largest possible pay rolls and of business owners as a whole in the largest possible profits. Only if bargains in the several plants and industries conformed to a national wage policy designed to maximize pay rolls and profits, would the organization of labor no longer threaten to produce an unfavorable shift in the investment function, a high preference for cash rather than for ownership of shares in industry, and chronic unemployment.

The happy stage in which collective bargaining is really based upon the national interests of capital and labor will not be easily or quickly reached. The struggle of individual employers and groups of employers and of individual unions to use their bargaining power in their own way and to their own particular advantage regardless of the effect upon the nation as a whole will be stubborn and persistent. Let us remember that never yet have employers permitted national interests to govern the setting of import duties. And yet so long as bargaining is conducted by rather small autonomous units (enterprises, sections of industries, or industries), it is not so much a method by which workers gain wages at the expense of employers as a method by which each of many thousands of small groups of workers limits slightly the employment opportunities of all workers. Once the day is reached, as it eventually will be, when the broad outlines of a national wage policy are fixed for the purpose of producing the largest possible pay rolls and profits, relations between employers and workers will undergo a revolutionary change and the basis will be laid for cooperation between them in promoting expansion

and technological progress—a cooperation which will give the economy far greater power to raise production than it has ever possessed. . . .

By far the greatest question presented by the gains of labor is whether unions will prove able to assume the responsibilities that go with great power. Until recent years the labor movement in the United States has been small and weak. It has had an uphill struggle for existence against tremendous odds. Naturally, it has had the psychology and also the problems of the underdog. Unions did not worry about unduly encroaching upon the profits of employers, or about limiting the amount of enterprise (and hence the amount of employment) in the community. Organizations fighting for bare existence do not consider such problems.

Today very few unions are underdogs. Some of them are even overdogs. The others are quite powerful enough to take care of themselves. Within broad limits, they now determine the amount of enterprise in the community. If they overreach themselves, they injure both employers and their own members. Because of their great power, unions will defeat their purposes unless they show concern for the profits of employers and the prosperity of industry, unless they become in large measure guardians of enterprise. To the pioneer fighters in the battle of the unions for survival, such a policy would seem a betrayal of the labor movement. And yet there is no escape for the unions. If their policies really do determine in large measure the amount of enterprise, they must either take account of this fact in formulating their demands or they must become instruments for limiting rather than raising the standard of living of their members.

As indicated in a previous section, the great power which unions are acquiring,

and the necessity of their taking account of the interests of labor as a whole, require a change in the structure of the labor movement and in the methods of making the policies. The problem of developing a structure within the labor movement which permits policies to represent the interests of labor as a whole, rather than the interests of carpenters, steelworkers, or plumbers, is simply a part of the general problem which confronts the community as a result of the rapid rise of group organization during recent years.

The nineteenth century developed the theory that history is to be interpreted mainly as a struggle between classes and groups. That doctrine has much historical truth. But a better organized and harder fought struggle among farmers, manufacturers, wage earners, retailers, pension seekers, veterans, and others offers no promise as a way of raising the standard of living. It would be sheer accident if the struggle produced the distribution of income and of economic advantage which makes possible full employment and the largest volume of output of which the working force and the plant are capable. And the uncertainty in the position of each group, particularly business owners, which is an almost inevitable result of a vigorously conducted struggle, would have an unfavorable effect upon the investment function. The achievement of the conditions most favorable to full employment and a high standard of living, therefore, requires cooperation among organized groups for that purpose. It is the task of the twentieth century to make group organization the instrument of constructive cooperation rather than of destructive conflict. Organized labor will be able to make a major contribution to intergroup cooperation provided it develops the capacity to think in terms of the national interests of labor rather than simply in terms of the interest of small groups.

ARTHUR M. ROSS¹

What Is Responsible Wage Policy?

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The two cornerstones of Economics are the scarcity of resources and the multiplicity of wants. True economy consists of deriving maximum want satisfaction from available resources. This requires that resources be allocated into proper channels and combined in proper proportions.

Economic theory is equipped with a battery of functions expressing consumer preferences and input-output relationships, and a principle of maximization applying to the consumer, the owner of productive resources and the entrepreneur. The supply of productive resources is assumed to be given. The interplay of supply and demand then determines the prices of commodities and resources, the allocation of resources among alternative uses, and the distribution of the resulting income.

Attention is often directed to the role of price in controlling economic activity. Under very special circumstances, free pricing leads to optimum results. Scarce resources are truly economized and satisfaction is truly maximized. The workings of celestial mechanics as described by Kepler are no more symmetrical and harmonious than the pricing system as portrayed in the theory of competitive equilibrium.

Competent scholars are careful to indicate that the optimum results are condi-

¹ By permission from Arthur M. Ross, "What Is Responsible Wage Policy?" *Southern Economic Journal*, January, 1948, pp. 266 ff.

tioned upon the underlying assumptions of full employment, rational behavior and competitive markets. They frequently apologize because the "real world" corresponds so poorly with the postulated environment of price and output decisions. On occasion, however, the theory of a competitive economy is pressed into the service of partisan and political debate. On these occasions there is frequently a failure to note that the theory is addressed to the operation of a stationary, frictionless, competitive economy. Illegitimate applications of competitive theory are not limited by any means to the popular tracts of Hayek and Hazlitt.

These facts are familiar enough. Nevertheless, they are pertinent in another context—the problem of collective wage determination. Economic analysis is frequently utilized in an attempt to provide a normative standard for the resolution of bargaining disputes and a test of responsible behavior, but here again is encountered the same classical error of failing to test assumptions against reality before offering policy recommendations.

Collective wage determination is very different, of course, from competitive wage-setting. Over a large sector of the economy, impersonal market forces have been supplanted by conscious human decision. Wage-determining tendencies under collective bargaining run in different orbits from the classical tendencies of a competitive labor market. Supply and demand are still encountered in the labor market, but they are of little consequence for the setting of wages; they adjust to the price of labor, rather than determine it.

Nevertheless, certain similarities remain. If supply and demand do not establish price, at least they adjust to it. It would still be desirable if resources could be utilized in such a manner as to yield the greatest total satisfaction. The wage bargain retains a significant economic

function in governing the allocation of labor among alternative lines of employment. Results which formerly flowed from the pricing mechanism in the labor market are now brought about by the authoritative decisions of employers and trade unions.

Although a wage rate has two aspects (cost to the employer and income to the worker), attention is usually centered on the cost aspect; since an individual collective agreement covers only a minor segment of the economy, the income effect is very small. As cost of production, the wage rate is taken into account by the employer in deciding what scale of output and what combination of resources will maximize his profit.

If this formulation is valid, it follows that the wage bargain is really a wage-employment bargain. Slichter states that "the wages embodied in trade agreements affect the capacity of the enterprise and industry to give employment, and they affect the distribution of employment among different occupations, industries and places." In a discussion of "functions of the wage system," Dunlop remarks that wage and salary rates "help to determine the amount and qualities of labor services that are called into the labor market, and into its numerous specialized categories of skill and location. Wage and salary rates through their impact on costs have decisively affected the distribution of employment among industries, firms and occupations. The impact on the geographical distribution of employment among different regions, different-sized cities, and as between metropolitan and outlying districts has been no less significant."

Now what about the optimum results, the balanced, harmonious allocation of resources, that are supposed to emerge in a competitive society? There is a strong temptation to assign to the individuals involved in collective wage determination

the responsibility of achieving optimum results, and to exercise normative judgment upon their behavior in the light of their success or failure in doing so. The central argument of this article is that only under certain rigid assumptions can union and employer representatives be held reasonably accountable for the volume of employment resulting from their wage decisions; that these assumptions are often forgotten in the analysis of specific bargaining disputes; and that in the normal state of affairs the wage bargain is not a wage-employment bargain at the time it is made.

Normative judgments bear most heavily upon the union. There are many concepts of "union responsibility"—the observance of contract commitments, the exercise of discipline over the rank and file, the encouragement of efficient performance, etc., but the most prevalent relates to the "employment effect" of the wage bargain. Polar terminology is frequently employed; a "far-sighted," "industry-minded," "mature," and "statesman-like" labor leader is one who gives a proper measure of consideration to the "employment effect." The most common criticism of labor leaders is their "short-sightedness": they ignore the long-run elasticity of demand; the highest praise is reserved for those who, like the presidents of the Iron Molders, the Hosiery workers and the Photoengravers, have cautioned their members against "pricing themselves out of the market."

At the outer fringe of economics where special pleading is carried on, pointed contrasts are often made between the beneficent results of free pricing and the malevolent consequences of collective bargaining, on the assumption that free pricing would exist in the absence of labor unions. Specious comparisons of this kind, although respectable twenty years ago, are seldom encountered within the pale to-

day. Contemporary economic theorists content themselves with stern warnings concerning the danger of unemployment. According to Bowman and Bach (following Hicks), wages can be raised above the competitive equilibrium level "only at the cost of some unemployment of previously employed workers, or in periods of expansion, at the cost of a smaller increase in employment than would otherwise occur." Berman expresses the almost universal judgment that "the unions in the building industry, by trying to maintain high wage levels, were probably influential in intensifying the depression in building, and thus bringing about unemployment and decreased incomes for their members." Nourse states that "if wages are forced up beyond the point where the increase can be paid from profits without impairing the solvency of the company or its ability to finance further technological improvements, the wage increase must be reflected in an increase in the price of the product. This, in all but exceptional cases, must mean a decline in the volume of sales and the amount of employment."

From emphasizing the dangers involved in collective wage determination it is only a short stop to reason that trade union leaders should avoid these dangers and preserve the employment opportunities of the workers they represent. As noted above, this is the most popular concept of union responsibility. Most union leaders are anxious to behave in a business-like fashion and are willing to join in general pronouncements concerning their responsibility for employment. For example, the Labor Committee of the Twentieth Century Fund, which includes Mr. Robert J. Watt of the AFL and Mr. Clinton Golden of the CIO, states that "both management and union must be aware of the danger of 'pricing themselves and their product out of the market.' In this

connection, collective bargaining becomes a crucial instrument for sparking and stimulating the capacity use of our materials, our machines, our man power. This function is especially important in view of the fact that the basic decisions of our time are group decisions, and not the solitary decisions of individual sellers and individual buyers. . . . Price and wage administration today must move toward the same goal as that achieved by the automatic competition of the free (or nearly free) market. . . ."

This makes a fine text. No one could question these worthy sentiments. But how much help are they as a guide to the negotiation of individual agreements? The central argument of this paper is that they are no help at all.

There are two major reasons why it is usually impossible in specific cases to assume responsibility for the employment effect. The first is that the typical wage bargain in the United States covers only a minor fragment of the economy. Therefore, analysis of the employment effect must be conducted on a particular equilibrium basis. The impact on aggregate consumer spending is infinitesimal; demand for the commodity must be regarded as given; wages affect labor demand only through the cost-price relationship. This type of analysis is appropriate to the situation, but the difficulty is that when the problem is approached in this fashion, the answer is invariably the same: the best wage (from the standpoint of employment) is the lowest wage. When Hazlitt argues that "the best wages are not the highest wages, but the wages that lead to full employment," he establishes a valuable criterion for wage movements in the economy at large. But when the criterion is applied, as it is so often, to isolated wage bargains covering small pieces of the economy, where considerations of cost are paramount and income irrelevant, then

it yields only one answer and loses all utility as a tool for distinguishing right and wrong. "The situation for labor is comparable to that found in connection with any product. The higher the price, the smaller the demand in a given set of circumstances; the lower the price, the greater will be the demand." No matter how well-intentioned, statements of this kind throw the weight of academic authority on the side of the employer. The unions retaliate by hiring their own economists to demonstrate the necessity of mass purchasing power, and the net result is that economic analysis has virtually no serious influence in the making of the wage bargain.

But the line of reasoning has another weakness which is even more fundamental. It assumes that union leaders are in a position to consider the employment effect of their decisions, if they would. When Mr. Taylor states that "the labor cost consequences of many proposed wage policies and the effect of these policies upon the relative competitive positions of business enterprises have frequently been ignored," he clearly implies that they need not have been ignored and perhaps that they should not. Thus, it is conceived that the employment effect of the wage bargain is the subject of rational calculation in the bargaining process; or at any rate, that it can be. There would be no point in assigning responsibilities unless it were felt that decision-making officials are in a position to carry them out.

If the employment effect of the wage bargain is to be the subject of rational calculation, it has to be predictable. There needs to be a reasonably exact relationship between wage rate and volume of employment before the fact, at the time the bargain is made. But this is possible only if other things remain equal. There must be no other and more powerful influences affecting the volume of employment; or

if there are, then they must be predictable in their effects.

Here, as elsewhere, other things do not remain equal. The wage bargain looks forward, not backward. Even if wage rates are connected with employment at one point of time, over any substantial period of time there are such pronounced changes in productivity, consumer preferences and the general condition of business that the relationship is fatally beclouded. In other words, production coefficients, substitution functions and aggregate demand do not remain constant. As a result, the wage bargain is highly indeterminate in its consequences. The volume of employment associated with a given wage rate is unpredictable before the fact and the effect of a given rate upon employment is undecipherable after the fact. The employment effect cannot normally be the subject of rational calculation and prediction at the time the bargain is made; and union officials are normally in no position to assume responsibility for it. It is the exceptional case which is so widely celebrated in the literature of labor economics as a model of responsible behavior which all unions would do well to emulate.

THE FICTION OF THE "WAGE-EMPLOYMENT" BARGAIN

The chain of logic connecting the rate of wages with the demand for labor in the individual firm has four links. The wage rate is related to the labor cost of production; labor cost is an important element of total cost; total cost affects the price of the product; the price determines the amount to be sold and therefore the amount of labor to be hired in producing it. Under the classical assumptions (constant production functions, consumer preferences and aggregate demand, and competitive product pricing), impulses would be transmitted reliably from one end to the other; a given change in wages would

have a unique and predictable effect upon employment. In actual fact, however, there is a great deal of free play at each link in the chain.

a. *Wage rates and labor cost.* In the first place, there is no assurance that a given change in wages will lead to a corresponding change in labor cost, or to any predictable change whatever. In order to demonstrate this statement, it is necessary to deal with statistics on average hourly earnings; these are not the same as wage rates, of course, but they are used because of the scarcity of wage rate information. Table I [omitted] shows indexes of average hourly earnings and unit labor cost in 19 manufacturing industries, covering the period 1929-1940. For most of the industries, movement in the two indexes are extremely divergent, and increasingly so with the passage of time. For example, average hourly earnings in petroleum refining increased by one-half over the eleven-year period, while labor cost fell by one-quarter. The index of average hourly earnings in rayon rose to 147.5, while the index of labor cost dropped to 37.3.

As Table I is constructed, the divergencies are cumulative. It might be argued on various grounds that only year-to-year changes are important for the present purpose; if a reasonably consistent short-run association between movements of earnings and labor cost could be established, it might be sufficient. Table II [omitted] shows year-to-year percentage changes in average hourly earnings and labor cost for the 19 industries included in Table I. It is evident that the association is not at all consistent. Hourly earnings and labor cost have frequently moved in opposite directions. This was true during eight years out of ten in the rayon industry; during six years in the newspaper and periodical industry; during five years in the agricultural implement, lumber and timber, and petroleum refining industries;

and during three years in the boot and shoe, chemical, meat-packing and cigarette industries.

An important study of wage rates, labor costs and hourly earnings in four industries, published as a mimeograph of the Temporary National Economic Committee in 1940, reached a similar conclusion. "Just as changes in wage rates do not necessarily result in corresponding changes in average hourly earnings, so the relation between wage rates and labor cost is by no means direct. The records of the companies included in this study clearly indicate that it would be erroneous to assume that an increase of, say, 10 percent in wage rates is necessarily accompanied by an increase of 10 percent in labor costs, or that a 10 percent cut in wage rates is always followed by a 10 percent drop in labor costs. Many factors beside wage rates influence labor cost. The relation between changes in wage rates and labor costs is somewhat closer where workers are paid by the piece than where they are paid by the hour, but even in the former case the trends of wage rates and labor costs are not necessarily parallel."

The basic reason for the lack of correspondence is that unit labor cost depends not only on hourly earnings but also on productivity, or output per man-hour. Changes in productivity are the result of two causes: (1) changes in technology, organization, and human efficiency; and (2) changes in the intensity of labor utilization. In the long run, changes in technology, organization and relative factor prices are the most important determinants; but from year to year, fluctuations in the volume of output are often of great significance. Thus, Hirsch notes a distinction between "volume productivity" and "real productivity." "We must try to distinguish as sharply as possible between increase and decrease of productivity

caused by larger or smaller output volume—volume productivity increase—and the increase and decrease of productivity caused by real improvement of production or organization—real productivity increase. . . . The trends in volume productivity are practically a direct consequence of the law of fixed costs. As business volume rises, the unit costs decrease automatically, within certain limits; with decreasing business volume they rise automatically. . . . This is not so with the real productivity increase caused by progress in technique and/or in business organization. In many industries, this progress is especially accelerated in times of business recession."

The important point is that the impact of these changes over a future period is largely unpredictable. Even if all technological changes to be made during the forthcoming year were known, and even if the employer should present this information to the union in the collective bargaining conference, it would be very difficult to prophesy the effect upon labor cost. The future volume of output is even more speculative. The employer may have production plans, and conceivably may reveal them to the union; but they are obviously tentative. The actual volume of output over the next year will depend upon factors which are not within the orbit of decision and are not known when the wage bargain is made: the price and output policy of other employers, possible shifts in consumer demand, and the general condition of business. The last factor is clearly the most inscrutable of all. Neither economists nor businessmen have shown much ability to predict the course of the business cycle, and there is no compelling reason why labor leaders should be expected to do any better. It would be improper to criticize economic theory because of the difficulty of business forecasting; but it seems eminently proper to

criticize illegitimate applications of economic theory to situations it is poorly equipped to handle.

b. *Labor cost and total cost.* Let us now examine the relationship between unit labor cost and total cost of production. The first point to be noted is that labor cost is usually a minor proportion of total cost for a single establishment or industry. . . .

A detailed analysis of 90 manufacturing industries has been made by the Federal Trade Commission. Labor cost amounted to less than 15 percent of the sales dollar in 27 industries; between 15 and 20 percent in 17 industries; between 20 and 25 percent in 25 industries; and more than 25 percent in 21 industries.

Moreover, the total wage bill of a given industry may be affected by wage rates which are negotiated with a number of separate unions. This is the familiar joint-demand situation. Wages amount to 33.1 percent of the value of product in the building construction industry, but it has often been observed that no single craft accounts for much of this. Newspaper publishers negotiate separately with the printing trades, the Newspaper Guild, the Building Service Workers and the Teamsters. The Standard Oil Company is reputed to deal with more than twenty different unions. As collective bargaining is currently constituted, no single union is in a position to assume responsibility for what the others do, because it cannot control or predict the behavior of the others. The Electrical Workers cannot hold down the wage rates of carpenters by withholding a wage demand on their own behalf. In bargaining with newspaper publishers, or an association of publishers, the Teamsters will not be materially influenced by the wage policy of the Building Service Workers. Particularism in wage policy is the inevitable result of a fractionalized bargaining structure. To expect one

organization to ignore its own particular interest by "setting a good example" for the others is a delusive hope, when there is no assurance that the example will be followed. Responsibility requires authority.

It may be objected that statistics on labor cost as a percentage of total cost, industry by industry, give a very misleading impression of the real importance of labor cost in the economy. It is true that wages and salaries make up about 70 percent of income payments in the economy as a whole, but this is not relevant here. Wages are not determined for the economy as a whole, but for particular bargaining units. We must look at costs of production as they appear in these units. Total cost of production consists of three major elements—labor, materials and overhead—and in most industries, labor is the smallest of the three. The more particularized is the system of bargaining units, the more is this true.

Economists have often remarked that fractionalized bargaining structure creates an illusion of inelastic demand for labor by breaking up total labor cost into a multitude of segments. This understates the problem; from the standpoint of each individual segment, the demand for labor is inelastic. As pointed out above, there is little profit in exhorting one segment to establish its wage policy in the light of the elasticity of demand for labor over some larger area.

There is profit in discussing wage policy for the economy as a whole, or a major segment thereof, but as yet there is no bargaining mechanism to which such a discussion can be addressed. A national wage policy would require a national wage bargain or some other kind of central determination. Moreover, when we deal with economic aggregates, the frame of reference must be broadened; wages must be seen not only as cost but as income. The concept of elasticity of demand

for labor is not very helpful in this context. Conversely, considerations of full employment, inflation, deflation, etc., are not very helpful in individual bargaining disputes; arguments concerning over-all economic welfare have little weight in collective bargaining and are properly given little attention by labor arbitrators.

Not only is labor cost a minor fraction of total cost in most industries, but there is very little correspondence in their movements. This is particularly evident during a period of rapidly changing business activity. In a depression, for example, the employer may succeed in reducing labor cost through a cut in wage rates, and in securing raw materials more cheaply; but the increase in overhead cost per unit may wipe out any reduction in direct expenses. Conversely, labor cost and raw material cost may advance during a recovery, but the higher volume of production may reduce unit overhead cost to such an extent that the total expenses of production are lower. As the TNEC states, "it is this inverse relationship between trends in direct labor-and-materials costs and in unit-overhead costs which renders the relation between changes in labor costs and in total costs almost unpredictable."

c. *Total cost and selling price, and*

d. *Selling price and volume of employment.* We come now to the last two links in the chain. No extended argument should be needed to remind the reader that there is a great deal of indeterminateness in both cases. To analyse the looseness of the connection between cost of production and selling price on the theoretical level would require us to canvass a large and generally familiar body of doctrine on imperfect competition; and to describe it on the empirical level would require us to summarize at least a score of recent investigations of price policy. Certainly there can be no disagreement that many employers are in a position to pur-

sue a price policy largely independent of fluctuations in cost over considerable periods of time, and do in fact pursue such a policy. Employers commonly emphasize the cost-price relationship as a debating point in collective bargaining, but it has been fittingly observed that "... businessmen tend to overstress the importance of costs in relation to their decisions on prices. . . . The only generalization possible is that costs have an obvious influence upon prices, and prices in turn upon costs; the character of the relation in any individual case and at any specific time must be individually appraised on the basis of all the attendant conditions. Needless to say, this leaves the effect of wage rate changes on prices even more indirect and remote."

Finally there is the employer's labor demand or the volume of employment in the enterprise. It goes without saying that a policy of price rigidity, which is so frequently encountered, breaks the chain altogether at this vital point. As Lester remarks, "where employers follow rather rigid price policies, each employer's rate of operations and demand for labor will be largely determined by the general state of trade, and his total employment may have no close and direct relationship to changes in wage rates."

But even in the absence of price rigidity, the effect of price upon employment is quite unpredictable. A great deal depends upon the price and output policies of other employers, and the wage policies of other unions, none of which are within the orbit of control. Even if these were known in advance, the crucial question would be left unanswered. This, of course, is the future trend of business activity and consumer demand. The union and employer representatives who participate in collective bargaining are as ignorant of the future trend of business activity as are the stock-market forecasters. This may be one

reason why "wage structures are bargained for in an essentially non-cyclical time setting."

Thus, there are four links in the chain between wage rates and employment. At each juncture, there is a great deal of free play; and as a result, the initial and final links are so loosely connected that for practical purposes they must be regarded as largely independent. The uncertainty and indeterminateness encountered at each individual state are multiplied in geometric form throughout the progression.

Therefore, when we assume that trade unions have a "wage-employment policy," we encompass a group of relationships which are bound together by insufficient and indeterminate causes. In a logical exercise we can abstract from external influences, so that the relationships appear rigorous and precise; but the external influences are so obtrusive in reality that they dominate the scene. Policy must address itself to reality. In the normal case the wage bargain is *not* a wage-employment bargain.

A number of objections might be made against the foregoing argument. It might be contended that the relationships are loose in the short run but more precise in the long run. Trade union leaders are frequently criticized for ignoring the long-run effect of their policies. But we should not confuse the conceptual long run of equilibrium theory with the chronological passage of time. In the *conceptual* long run, under "normal price" analysis, the relationship between cost and price becomes tighter than in the short run. However, in the *chronological* long run the line of connection between the wage rate and the volume of employment becomes less rather than more determinate. The more time passes, the greater are the changes in production and consumption functions and in other data which are regarded as given in equilibrium analysis.

Twenty years from now, we will presumably have a bituminous coal industry of some size. Who will be able to say how much larger or smaller would have been the total employment in the industry in 1967 if the wage rate established by the Lewis-Fairless agreement back in 1947 had been ten cents lower or ten cents higher?

It may also be objected that all of this is somewhat beside the point. Even though the line of connection between the wage rate and the volume of employment is extremely loose, we are certain of one thing: employment in the firm or the industry will not be greater with a higher rate than with a lower rate, and may conceivably be less. Therefore a moderate wage policy is more responsible than an aggressive policy. This objection does have a certain formal validity, but it logically implies that the lower the wage, the more responsible is the union. No economist would make such a statement and no union leader would find it helpful. Moreover, the objection is fatally obtuse from a political standpoint. It is very difficult for a union official to forego a wage increase or consent to a wage cut, or to recommend to his constituents that they do so. Union leaders rarely lose their jobs for being too militant, but often for being too conciliatory. When an official makes an unpopular decision, there must be a reasonable probability that the presumed benefit will actually materialize. If a ten percent wage cut may be associated with anything from a 50 percent increase to a 50 percent decrease in employment, the range of error is too great. He cannot afford to take the chance.

Finally, attention may be called to certain cases of responsible union behavior which are so generously praised in the literature of labor economics. But these cases are exceptional and not normal. For example, there is the oft-told tale of the

labor-management cooperation in the clothing industry. The case of the Clothing Workers was exceptional because the wage-cost-price-employment relationships were relatively clear and predictable. Under the piece-rate method of compensation, wage rates were closely linked with unit labor costs. Labor cost was a fairly substantial proportion of total cost; moreover, at the same time as wages were cut, the employers agreed to take other measures to reduce overhead and material costs. Because of the competitiveness of the industry, selling prices were closely related to total costs. And inasmuch as the essential problem was one of meeting non-union competition in the same industry, the volume of sales of union employers and the volume of employment in their establishments were clearly affected by their selling prices. (We may note, incidentally, that the Clothing Workers abandoned the policy in 1939 in favor of a policy designed to equalize labor cost throughout all markets.)

A similar incident which is often displayed as a model of responsible behavior is the action of the Hosiery Workers, who voluntarily accepted a wage cut in order to permit union employers to modernize their plants. Here again we must note the presence of piece rates, the prominence of non-union competition, and the employers' agreement to take other steps of a cost-reducing nature.

But the typical case has little in common with these. Let us assume that a collective bargaining conference is held at some point during the course of a depression. The union leader is asked to accept a 15 percent wage cut in order to avert a decrease in plant employment. He has no assurance that unit labor cost will decline 15 percent. In any event, this would amount to only 3 percent of total unit cost (assuming that labor cost is 20 percent of total cost in the industry).

Overhead cost per unit may increase to such an extent as to wipe out this small gain. But even if total unit cost should fall and even if the employer should reduce his selling price correspondingly in order to improve his competitive position, the wage cut may be diffused throughout the industry, thus dissipating the employer's competitive advantage. If wage cuts become general throughout the economy, then purchasing power suffers.

There are additional difficulties as well. The employer is reluctant to reveal confidential data concerning his financial position. The union suspects he is exaggerating, as he probably is. The union's research staff has supplied information indicating that the cost of living will advance during the next six months. The employed members of the organization, who are still in the majority, are not enthusiastic over the prospect of lower incomes. The union leader fears that it will be difficult to recover any concession which may be granted at the present time. Moreover, he knows that he will suffer politically if he accepts or recommends a wage cut which does not lead to the predicted results. In view of the fact that the connection between the prospective wage rate and the prospective volume of employment is quite inscrutable, he can hardly wish to take the chance. If he does assent to a cut, it is not out of any substantial hope that employment in the trade will be increased, but only in the interest of keeping the peace with the employer and maintaining the bargaining relationship.

Although economic considerations are approached with great solemnity and argued with a fine show of confidence, they are not conclusive in making of the bargain. The employment effect becomes a symbol in the service of partisan debate, and not a useful test of policy.

FURTHER COMPLICATIONS

There are additional difficulties in applying the theory of the individual firm toward an analysis of particular wage bargains. These result from the tautological character of marginal concepts according to the latest authoritative formulation.

The reader may already have been reminded of the recent controversy between Mr. Lester and Mr. Machlup over the marginal productivity principle. The present author would not presume to make a final judgment upon the controversy, but it is quite relevant here. The central issue was whether the employer actually adjusts his operations to a change in wage rates in the manner postulated by the theory of the individual firm. In reply to Lester's criticisms, Machlup made a restatement of the theory in which "the concepts are to be understood as referring to subjective estimates and conjectures. . . . The time range of the relevant anticipations will depend on the circumstances of each case and will rarely be confined to the short run. . . . The estimates need not be reduced to definite numerical values. . . . Non-pecuniary considerations may effectively compete with those pertaining to the maximization of money profits." Moreover, "an increase in wage rates may have very different effects depending on whether the employer (1) (a) has foreseen it, (b) is surprised by it; (2) (a) reacts quickly to it, (b) reacts slowly to it; (3) (a) expects it to be reversed soon, (b) expects it to be maintained, (c) expects it to be followed by further increases; (4) (a) assumes it to be confined to his firm, (b) assumes it to affect also his competitors, (c) believes it to be part of a nation-wide trend; (5) connects it with an inflationary development; or is influenced by any other sort and number of anticipations. Most of these moods and anticipations can be

translated by the economists into certain shapes or shifts of the marginal productivity functions of the firms. . . ."

This is fine for the economist. He makes an orderly retreat into the realm of the uncontestable, and rescues himself by strategic enlargement of definition. The system becomes so tautological that no businessman can possibly fail to equalize marginal net revenue product with marginal labor cost, just as no consumer can possibly fail to maximize satisfaction under the contemporary attenuated theory of marginal utility. Any proposition can be automatically validated in this manner.

But surely this is fatal to the notion that marginal analysis can usefully be applied in an endeavor to achieve optimum results in practical decisions. It may be argued that this is not for the economist to worry about; his primary concern is to protect the integrity of economic doctrine. If so, then we should frankly state to the labor negotiator that economic analysis cannot help him substantially in establishing a responsible wage policy under the present fractionalized bargaining structure.

A tautological proposition is automatically valid if simple rules of logic are observed, but it has no real explanatory value. Devoid of explanatory value, it is doubly lacking in predictive value. What is the position of the responsible labor leader who would like to anticipate the employment effect of his bargaining demands? He would have to predict the employer's adjustment to a change in wages. If we can assume that Mr. Machlup has made an authoritative theoretical formulation of how the employer will adjust, then the union leader must predict the employer's "subjective estimates and conjectures" which "will rarely be confined to the short run," which "need not be reduced to definite numerical values," and which may be affected by "non-

pecuniary considerations." Moreover, he must know whether the employer "(1) (a) has foreseen it, (b) is surprised by it," etc., etc.; and finally "whether he is influenced by any other sort and number of anticipations"!

The psychological subtleties in which the theory of the individual firm have been enmeshed give rise to fascinating problems in second-degree horizons and vicarious anticipations. But when added to the difficulties already described in the preceding section, they provide a conclusive demonstration that the wage bargain must almost always be made without consideration of its employment effect.

WHAT IS RESPONSIBLE WAGE POLICY?

If responsible wage policy under present bargaining structure cannot be defined with reference to its employment effect, then how may it be defined?

We must begin by reviewing the role of the trade union official. He is the leader of a political instrumentality which has the same institutional drives as any political instrumentality: survival and growth. To facilitate the survival and growth of the organization, and promote his personal advancement, he endeavors to reconcile the political pressures which are focused upon him in the bargaining process. These pressures emanate from the rank and file, from the employers, from other levels of the organization, from other sectors of the labor movement and from the government. They must somehow be resolved into a feasible compromise. This is the job which he is called upon to perform.

The nature of the appropriate reconciliation depends upon the relative urgency of the pressures. The rank and file may be militant, inclined to strike, and receptive to the appeals of rival leaders; or it may be apathetic and safely loyal. The local union may be part of a highly cen-

tralized organization, governed by the policy of the international union; or it may be virtually autonomous. The employers may be well organized and determined to have their way; or they may be disorganized and anxious to avoid trouble. In the same way, other sectors of the labor movement and the agencies of government may or may not need to be reckoned with.

It has frequently been observed that in the absence of world government, sound international policy is a resolution of the national interests of the sovereign powers proportional to their strength and determination. By the same token, in a system of fractionalized bargaining units sound collective bargaining is a successful resolution of the political pressures which are focused on leadership in the bargaining process. A good bargain is one which provides a *modus operandi* and keeps the peace. It holds the rank-and-file in line. It discourages raiding on the part of rival unions. It satisfies the employer to such an extent that he is not inclined to make desperate attempts at union-smashing or to leave the industry altogether. It is compatible with the union's responsibility toward other levels of organization. It creates a measure of certainty and a basis of planning for a year or two ahead. It strengthens the fealty of the union toward the private-ownership system of production.

Such a definition of responsible wage policy may appear somewhat scandalous. But is it really so little? Imagine the consequences of a wage bargain which was not oriented to the reconciliation of political pressures. Imagine the rank-and-file revolts, the disorganizing jurisdictional raids, the bitter union-management conflicts involving the survival of one or another, and the incitement of anti-capitalist agitation. The mobilization and education of a vast industrial labor force have

already created severe problems of maintaining social stability. Would a non-political wage bargain mitigate or aggravate these problems?

CONCLUSION

The foregoing analysis may be summarized as follows:

(1) The most popular conception of responsible union wage policy is that it should give adequate consideration to the employment effect.

(2) Under contemporary bargaining structure, this is almost always an impossible requirement.

(3) Wage policy does have political responsibilities which are poorly appreciated but highly important for the maintenance of law and order in industrial life.

In view of this state of affairs, it may be inquired what can be done so that wage policy may become economically as well as politically responsible.

It is well to indicate at the outset the limits of possible reform. Union behavior will never satisfy the economist completely. A trade union is a political organization, and cannot be expected to address itself principally to the attainment of economic objectives. Moreover, when the employment effect is approached on a particular equilibrium basis, the inevitable conclusion is that the lower the wage in the collective agreement, the more likely it is that employment will be higher in the firm. This is not helpful to the union.

However, it is possible to indicate certain conditions under which the employment effect of the wage bargain would be more predictable than at present, economic analysis more useful in the service of wage policy, and normative economic standards more compatible with the political requirements of a sound settlement.

Erratic fluctuations in business activity

are clearly the most significant factors accounting for the indeterminateness of the wage bargain. Largely because of these fluctuations, wage rates and unit labor cost do not move together; unit labor cost and total unit cost frequently move in different directions; the effect of a change in cost upon price and the effect of a change in price upon employment cannot be foretold with any degree of confidence. Fluctuations in the general price level, which run concurrently with fluctuations in business activity, contribute in their own right toward the prevailing anarchy of the wage bargain. The assurance of stability in the volume of output and the level of prices would contribute more than anything else toward correcting this condition.

We have seen that the union as an organization and the union leader as an individual must adjust themselves to a group of political pressures. The more impelling are these pressures, the more difficult is it for the union leader to observe the canons of business morality. A secure union is better insulated from political pressures than an insecure union. Union security—defined broadly as security against the apathy of workers, the enmity of employers, the rivalry of competing unions and the hostility of legislative bodies—is the *sine qua non* of responsible behavior. This is the point which Golden and Ruttenberg have argued so persuasively, and with which most informed students of collective bargaining would readily agree.

But a responsible union is not enough. A responsible wage bargain is quite as important. A small bargain cannot be responsible. It cannot answer for its consequences, since they are lost in a sea of external forces. It cannot control the decisions of others, and it cannot afford to set an example. The particular interest of those immediately concerned is inevitably

paramount; the general interest of the economy at large cannot be influential. What is needed is a wage bargain of sufficient magnitude to reflect the true significance of wages and salaries in the national income and permit the larger questions of economic policy to be considered. . . .

Company-wide agreements are substituted for single-plant bargains; multi-union bargaining grows in popularity. As the orbit of comparison widens, patterns and precedents assume greater importance. We have now reached the stage of uniform industry-wide adjustment of wages in many of our major industries, by virtue of formal bargaining organization in some cases and informal comparison in others.

But this is still a far cry from the master wage bargain which alone could assume responsibility for the volume of employment or other economic objectives. A master wage bargain, to which the government could not avoid becoming a party, is in many ways the antithesis of "free collective bargaining." Nevertheless we are driven ineluctably to agree with Slichter when he states, "The greatest possibilities of collective bargaining . . . will probably not be achieved until representatives of labor as a whole and of business as a whole are able to fix the broad outlines of a national wage policy."

To explore possible devices by which organized labor and organized business might fix the outlines of a national wage policy would take us beyond the scope of this account. We may note, however, that Beveridge came to a similar conclusion with respect to a full employment economy with strong and secure unions. He states that "in a full employment economy, great responsibility continues to rest with the trade unions and employers' associations—but a responsibility which transcends the compass of individual unions and industries and can be properly discharged only if every sectional wage bargain is considered in the light of the economy as a whole." He suggests that "the central organizations of labor . . . should devote their attention to the problem of achieving a unified wage policy which ensures that the demands of individual unions will be judged with reference to the economic situation as a whole."

An integrated wage policy for the United States seems quite remote at the present time. It may develop, however, when we resume the course toward mature industrial relations. Only then will negotiators be in a position to assume responsibility for the consequences of their decisions, and only then will economic analysis be of substantial assistance in discharging this responsibility.

25. Legal Status of Unions in the Community

THE LEGAL status of trade unions and collective bargaining has been a matter of public controversy for a century and a half. The first debate was between the Jeffersonians and Hamiltonians at the time of the Cordwainers' cases. Much the same arguments were presented then as now, and with much the same vehemence. Three general periods are observable in the relation of unions and bargaining to the law.

The first was the period of illegality. Unions, as a result of the Cordwainers' cases, were held to be in restraint of trade in accordance with common law doctrine. In the decision in *Commonwealth v. Hunt* in 1842, it was held that unions were not illegal per se. The subsequent period was one of extralegality. While certain actions of unions and certain purposes were held illegal, the institution of collective bargaining was not positively acknowledged. Trade agreements, no matter how carefully drawn, did not have the status of contracts before the courts. They were neither legal nor illegal; and since the contract is the heart of collective bargaining, this indicated the whole attitude of the law.

The third period has been one of increasing control. Trade unions have gained greatly in influence, and industrial relations have had more of an impact on the public. At the same time, unionism and labor-management bargaining have been more and more accepted as permanent by the nation. State courts, beginning in the 1920's, began to hold that labor agreements were enforceable and had the same status as other contracts. The Railway Labor Act of 1926 established machinery for settling disputes in that basic industry. The act was validated by the Supreme Court in 1930. The Norris-LaGuardia Act, the National Industrial Recovery Act, the National Labor Relations Act, the Labor-Management Relations Act of 1947, among others, have added to the growing body of governmental policy toward industrial relations. A number of states have also passed legislation controlling labor relations. In a decade and a half, more positive controls have been inaugurated by legislative action than in the entire previous century and a half. How much of this control has been wise? How much of it will be permanent?

This century and a half of development from illegality to control is a com-

mentary on the growing strength of organized labor and also on the changing structure and outlook of our society.

The greatest shift in industrial relations history came with the NRA and the NLRA in 1933 and 1935. Government established it as a matter of national policy that unions should be encouraged and protected in their organizing efforts. This added great impetus to the revival of unionism. In the subsequent decade, membership of the national unions increased fivefold. Organization of the mass-production industries was for the first time widely successful, and the unions undertook to solidify their positions. New areas were opened to collective bargaining—vacations with pay, health and welfare funds, and safety programs, among others. Labor organizations entered politics again with substantial sums of money to spend. The new unions and new unionism were born. The unions came to look to the government, particularly the Federal government, for protection of their institutions and for protective legislation for their members—minimum-wage laws and social security legislation, for example.

The Jones and Laughlin decision of the Supreme Court in 1937, upholding the constitutionality of the National Labor Relations Act, was a turning point in industrial history. It widened the definition of interstate commerce to include the manufacture of steel, in addition to transportation and communications. Subsequent decisions further broadened interstate commerce to cover all types of manufacturing and many types of wholesaling and retailing. The area of economic life in which the Federal government could intervene was immensely expanded. The depth of control was increased also. It was held that the conduct of industrial relations had a sufficient effect on the flow of commerce to permit Federal intervention. The decision limited both states' rights and property rights.

The Supreme Court, at the same time as it was declaring certain restrictions on the actions of management to be constitutional, was relaxing limitations on trade unions. The doctrine on picketing was substantially revised in favor of labor, permitting, for example, mass picketing. The antitrust laws were held not to apply to independent actions of trade unions. Unions could only violate the law through collusive action with employers.

At no time in American history had so much legislative and judicial assistance been given to the trade-union movement. The status accorded organized labor in its ultimate implications was perhaps the most important single development of the decade beginning in 1933, more important than pump-priming, or social security provisions, or agricultural subsidies, or stock-market and utility-holding company control.

ROBERT L. HALE¹

Labor Law: Anglo-American

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About the beginning of the nineteenth century English and American judges began to work out a body of legal doctrines for dealing with employment relations. The process was the familiar one of the common law, the rule enunciated in the decision of each case serving as a landmark for guidance in subsequent cases. In the course of the evolution of this body of labor law the judges in the several states of the United States have borrowed their precedents freely from other states and from England and the English judges have occasionally resorted to American precedents, although the doctrines are by no means uniform in all jurisdictions and the differences have been accentuated by legislation.

The employment situation after the coming in of the factories was radically different from what it had been before, and the common law and equity courts had not concerned themselves much with the older situation. The judges did not at first attempt to work out a body of law peculiar to employment but, so far as they were not controlled by statutes, derived their precedents from general principles of English law supposed to be of universal applicability. The fundamental assumption was that employer and employee were free parties owing each other no legal duties except those which every person

owes to every other or which each has voluntarily incurred by entering into a contract. In practise of course employees may be compelled to obey many requirements imposed by employers and employers may be constrained to observe restrictions imposed by labor unions; but such obedience on each side is not a matter of legal duty, unless it has been embodied in a contract, and the utilization of economic compulsion will not necessarily be regarded as a violation of the "equal freedom" of either party. Even when embodied in a contract enforcement may frequently be impracticable—too expensive for the employee, of no avail to the employer if the employee is incapable of paying a judgment for damages. The law cannot be regarded as settled as to whether collective agreements negotiated between a union and an association of employers are binding contracts at all or if so whether they confer rights and impose duties on the organizations as such or on the individual members of the two organizations. . . .

The bargaining process, at least before the growth of strong unions, as a rule gave the employer the upper hand. The theory was that each party had equal rights and duties and that superior economic position was due to superior service rendered to the community; the results were thought to conform to natural economic laws. The removal of many of the specific mercantilist restrictions on economic activity and of the feudal privileges of the aristocracy gave strength to this notion, flattering to the employing class and serviceable to them as an argument against labor legislation, which by improving the relative position of the workers seemed to disturb that equality before the law on which the economic inequalities were supposed to rest.

The premise of legal equality was in

¹ From Robert L. Hale, "Labor Law: Anglo-American," *Encyclopaedia of the Social Sciences*, copyright 1932 by The Macmillan Company and used with their permission, Vol. 8, pp. 667-72.

fact fallacious, for legal rights, privileges and duties depend on property rights and these depend on the law. Each person has a legal duty not to infringe any other person's property rights, a privilege to use what he himself owns and a right to exclude everyone else therefrom except on his own terms. These statements, however, are empty abstractions until it is specified to what particular objects the property rights of each attach; when it is so specified, the specious equality disappears. A's duty not to infringe the property rights of others may circumscribe his legally permissible activity within very narrow bounds; his privilege to use his own property, if he owns practically nothing, may not suffice to permit him to eat or to produce food without obtaining another's consent; and his right to exclude others may serve no more than to protect the clothes on his back. B, on the other hand, despite his duty not to infringe the property rights of others may by virtue of his right (or that of the corporation in which he owns stock) to exclude others from very important property be able without effort to induce many others to pay him a generous income. The respective legal rights of A and B are equal only in the most formal and empty sense. Nor are they merely the reflection of inequalities in services rendered in the past on the basis of preexisting equal rights. Many of the inequalities are the outcome of the purely legal factor of inheritance of large estates on the one hand and on the other of legal exclusion from opportunity during childhood to acquire health and training in economic usefulness. The ultimate economic position of each person is not so rigidly predetermined at birth as in the feudal system, but the law still imposes vastly unequal handicaps.

FREEDOM TO STRIKE

As applied to the employment relation the dogma of equal freedom has taken the form of the assertion that "the right of the employee to quit the service of the employer, for whatever reason, is the same as the right of the employer, for whatever reason, to dispense with the services of such employee" [*Adair v. U.S.*, 208 U.S. 161 (1908)]. As a corollary each may prescribe the conditions upon which he will employ or accept employment. On this theory whatever compulsion is involved in the threat of withholding the job or withholding the services is legal and even if sufficient to bring the other party to terms the law will interpose no objection. Some limits, however, have been placed on this theory.

In the early nineteenth century, before the doctrine of equal freedom had been firmly established, a combined threat to withdraw labor was looked upon askance. Such a combination might disturb the actual power of the employer to dictate the conditions of his plant. A combination of workers to refuse to work was made criminal in England by statute in 1800; in the United States a combination of workmen was held without the aid of legislation to be a criminal conspiracy in the case of the Philadelphia cordwainers, decided in the Mayor's Court in Philadelphia in 1806.

The doctrine of criminal conspiracy is now obsolete as applied to labor disputes. In England it was abolished piece by piece by statutes passed in 1824, 1825, 1871 and 1875. In the United States it received what was perhaps its death blow in the opinion rendered by Chief Justice Shaw of Massachusetts in 1842 in the celebrated case of *Commonwealth v. Hunt* (45 Mass. 111). In neither country today is a combined withdrawal of labor criminal; nor is it necessarily even actionable in a civil suit, although it may be.

But there are limits to the legally permissible use of economic pressure. To cut off the employer's "free flow" of labor or of customers by means of violence is an illegal method of inflicting economic loss upon him. Nor is actual violence essential to render the means illegal. Threats of violence would clearly suffice; and some courts have enjoined threats of social ostracism. In a few states picketing is prohibited altogether on the ground that it necessarily involves threatened violence. The restrictions on picketing differ from state to state, but a state statute denying the remedy of an injunction against abusive and noisy but non-violent picketing was held unconstitutional in *Traux v. Corrigan* [257 U.S. 312 (1921)]. In England peaceful picketing was legalized by the Trade Disputes Act of 1906, but the act of 1927 imposes criminal penalties for some forms of it at least. In the United States the supposed legalization of peaceful picketing (as far as federal law was concerned) in section 20 of the Clayton Act of 1914 has been given a very restricted interpretation, which the Norris-La Guardia Act of 1932 attempts to enlarge.

Even when there is nothing illegal in the means, a strike is not necessarily lawful. Like most bargaining pressure it is aimed to compel a reluctant employer to forego the exercise of what may loosely be termed a "right." When so viewed, it is easy to jump to the conclusion that the strike violates his right and is therefore unlawful. Much confusion results from a vague use of the term right, which the adoption of Hohfeld's careful terminology would avoid. Under this terminology it cannot be premised that the employer has a legal right to pay low wages or operate long hours or on a non-union basis; it can be said at the outset only that he has a "privilege" to do these things—meaning merely that in so doing he is not violating a duty. Whether in addition he has a right

not to have the privilege interfered with by a strike (implying a correlative duty on the part of the strikers not to interfere with it) is the very question at issue; the right does not necessarily follow from the privilege.

LEGALITY OF PURPOSE

The courts which have been clearest on the question have developed what has been called the *prima facie* tort theory, according to which there is a *prima facie* presumption that the intentional infliction of damage or economic loss on the employer is illegal; but the presumption can be rebutted by showing a justification. This usually takes the form of proving that the defendants were attempting to promote some reasonable and not too remote interest of their own: in deciding what sort of interest is reasonable and not too remote the courts must face an issue of policy. When justification is not proved it is sometimes stated that the motive of the defendants was one of "disinterested malice." According to some statements malice in the sense of ill will is essential to make the conduct illegal; according to others it is immaterial. Still other judges use the word malice as indicating merely the legal conclusion that the infliction of damage is unjustified. The word is so slippery that it seems better to follow those judges who drop it altogether. However, some judges of the English House of Lords, as the discussion in *Sorrell v. Smith* [(1925) A.C. 700] indicates, still inquire into the state of mind of the defendants and indulge in speculation as to whether their real motive was to harm the plaintiff or to benefit themselves, forgetting that the real motive was probably to harm the plaintiff in order to induce him to act in a way which would benefit the defendants.

The *prima facie* tort doctrine apparently does not enable an employee to

make his employer show a justification for discharging him, although it might avail him against one who without justification induces his employer to do so. . . . Refusal to continue to employ is regarded as non-feasance, as is also refusal to continue to be employed; but a strike involves the affirmative act of combining. The distinction is made more readily acceptable to the courts by the bad odor which still clings to the concept of a conspiracy and by the modern rationalization to the effect that acts harmless enough when performed by persons acting singly may become intolerable when performed by many acting in concert. The rationalization ignores the fact that discharge by a single employer may frequently be far from harmless to the discharged employee if he can find no other job in his chosen occupation. There is no real reason why conspiracy should be essential for the application of the prima facie tort doctrine nor would its application to the discharge of an employee for failure to comply with "unjustified" conditions of employment involve imposing upon the employer an affirmative duty to employ; it would involve only the negative duty to refrain from the act of imposing those conditions.

Courts which apply the prima facie tort doctrine differ as to what constitutes a justification for the intentional infliction of a damage by means of a strike. Higher wages, shorter hours and improved working conditions are quite generally regarded as justifiable ends. Strikes for a closed shop are apparently regarded as unjustified in Massachusetts but justified in New York. When a union attempted to instigate non-union workers in another shop to compel the latter's employer to unionize, the attempt was said to be illegal by Justice Pitney in *Hitchman Coal & Coke Co. v. Mitchell* [245 U.S. 229 (1917)]. Here, however, he did not apply

the prima facie tort doctrine and bring into the open his grounds of policy for condemning the union's campaign; he asserted merely that the union was interfering with the employer's "undoubted right" to operate on a non-union basis. Chief Justice Taft, however, in 1921 suggested that unions had a legitimate interest in making "their combination extend beyond one shop" (*American Steel Foundries v. Tri-City Central Trades Council*, 257 U.S. 184), and the New York Court of Appeals in 1927 made an even more definite pronouncement to the effect in *Exchange Bakery & Restaurant, Inc., v. Rifkin* (245 N.Y. 260). In the latter case an injunction was denied despite the fact that the union was inducing the plaintiff's waitresses to break their promises to remain out of the union. These promises, said the court, when attached to employment contracts terminable at will, were lacking in consideration and did not constitute valid contracts. This view of the law of contracts is at variance with that of the federal courts, as evidenced in the *Hitchman* case, which in addition to the grounds which have been stated held that inducing the breach of a yellow dog contract was an illegal means of conducting the campaign. The Norris-LaGuardia Act of 1932 provides that such contracts are against public policy and shall not afford any basis for the granting of legal or equitable relief in the federal courts. It has been suggested that this provision violates the constitution in the same manner as did the legislation in the *Coppage* case. The latter, however, made it a crime to insist on such contracts, while the federal law merely makes the contracts unenforceable. The language in the *Coppage* case was broad enough to indicate that any legislative interference with the bargaining power of the employer would be held to an unconstitutional interference with liberty of contract, unless it had di-

rect reference to health, safety or morals. But this inference is shaken by the opinion rendered in 1930 by Chief Justice Hughes, who has dissented in the Coppage case, affirming an injunction under the Railway Labor Act which restrained the company from interfering by threats of discharge and the like with its employees' free choice of representatives to negotiate for them (*Texas & New Orleans Railway Co. v. Brotherhood of Ry. & S.S. Clerks*, 281 U.S. 548).

BOYCOTTS

A boycott seems to require greater justification than a strike, although courts have not agreed on the legality of the various types of boycott. Boycotts against employees have at times been pronounced illegal, as in *Carlson v. Carpenter Contractors' Ass'n* [305 Ill. 331 (1922)] and in *Cornellier v. Haverhill Shoe Mfrs.' Ass'n* [221 Mass. 554 (1915)]; in the latter case, however, equitable relief was denied on other grounds. A refusal of a union to work on partly finished non-union materials in order to favor those manufacturers who employ other members of the union, while held lawful in New York [*Bossert v. Dhuy*, 221 N.Y. 342 (1917)], has been held by the Supreme Court to violate the Sherman Antitrust Act when aimed against a producer in another state [*Bedford Cut Stone Co. v. Journeymen Stone Cutters' Assn.*, 274 U.S. 37 (1927)]. The exemption in section 20 of the Clayton Act had been previously held inapplicable to a controversy between an employer and the employees of other employers [*Duplex Printing Press Co. v. Deering*, 254 U.S. 443 (1921)]. The exemption would probably apply, however, to a controversy between the strikers and their own employer, except where violence or other specifically illegal means is used, even if the employees were directly engaged in interstate commerce.

But when there is violence, even if the strikers are not so engaged, their illegal stoppage of production intended for such commerce may be construed to be a violation of the Sherman Act, thus giving the federal courts jurisdiction. The test seems to be whether the motive is to prevent the employer from competing with unionized plants in other states and whether the effect of the stoppage might reasonably be supposed to affect prices in other states. Where this is the case the restraint of interstate trade is called direct; otherwise it is called incidental and is said not to violate the federal law, however flagrantly it may violate state laws against violence. In cases of perfectly peaceable boycotts the federal courts have jurisdiction under the Sherman Act if the boycotts involve a direct restraint of interstate commerce; and despite Justice Brandeis' attempt in his dissent in the *Bedford Stone* case to apply the "rule of reason" the majority apparently leaves no scope for future modification of the court's conception of justifiability in these cases, for "restraint of interstate commerce," it said, "cannot be justified by the fact that the ultimate object of the participants was to secure an ulterior benefit which they might have been at liberty to pursue by means not involving such restraint."

In one respect the Clayton Act changed the position of labor for the worse; it put into the employer's hands the remedy of the injunction for injuries caused by restraint of interstate commerce. Previously that remedy had been available only to the government, and all the employer could do was sue at law for threefold damages. The Norris-LaGuardia Act apparently abolishes the federal injunction for conspiring to instigate strikes without fraud or violence, and it greatly limits the scope of the federal injunction in any labor dispute. It also removes many of the specific abuses which labor alleges

have developed in the practise of issuing injunctions, such as the grant of temporary restraining orders on ex parte evidence for periods long enough to cripple a strike which may turn out to be entirely legal. Meanwhile the remedy at law for damages has been rendered somewhat more efficacious in the federal courts by the Supreme Court's declaration in the first Coronado Coal case [259 U.S. 344 (1922)] that unions although unincorporated are suable in their own names and "that funds accumulated to be expended in conducting strikes are subject to execution in suits for torts committed by such unions in strikes."

INTERNAL AFFAIRS OF THE UNION

The law's concern with the internal affairs of unions is of growing importance. Through membership in his union a worker's real freedom may be greatly enlarged, but he must submit to such restraints as the union itself imposes on his liberty. The union is a miniature government and its rule may at times become oppressive. If so, the member's privilege of withdrawal may be of no avail to protect him, for leaving the union may involve loss of all occupation at his trade and in any event may leave him exposed to the restraints from which his union membership had freed him. His vote as a member is more important, and courts afford some remedy for dishonest elections. But votes are not always effective even when honestly counted, if the administration is firmly entrenched in power by the methods familiar in machine politics. How the law can remedy such a situation is not very clear. The law does give some relief, however, from the corrupt conduct of union officials in the handling of funds and from arbitrary action on the part of union disciplinary committees in the matter of fines, suspension and expulsion.

When a union succeeds in establishing a closed shop in an entire trade it is governing not only its own members but outsiders. If it excludes the latter from membership it is decreeing that unprivileged persons may not engage in a particular occupation. This it sometimes does on racial or political grounds or to maintain a higher scarcity value for the privileged labor. The writer is not aware of any instances where the law has interfered in these matters, although the policy of exclusion may perhaps determine at times a court's position as to the justifiability of a strike for a closed shop or as to the validity of a closed shop agreement. If it will admit the outsiders to membership then it is merely making membership compulsory. Some courts object to this; on the other hand, it can be argued that if the union is a desirable organ of government then as with other organs of government all those who benefit from its functioning may properly be required to share in the burden of its support.

DISTRIBUTION OF POWER

In passing on all these questions of labor law the courts frequently determine very delicate questions as to the extent and manner in which the distribution of economic power may be altered through the pressure of bargaining between employers and employees. While increased bargaining power on the part of employees will not remove the more fundamental legal sources of economic inequality it may at times be highly significant. The justifiability of its use in such cases would depend upon a judgment as to the justifiability of the particular inequalities which its use would diminish. Such a judgment would be conditioned largely by the economic philosophy of the judges where the question is not regarded as already settled by precedent. While the doctrines developed by the judges are not

infrequently superseded by legislation, this legislation has to be interpreted by the courts. In the United States the Supreme Court has been severely criticized in labor circles for adopting the narrower rather than the broader interpretation of the language in the Clayton Act which legalized certain labor activities. The fault may well have been not so much with the court as with those who drew up the statute, but it has taken Congress more than ten years to enact a new law which would not seem susceptible of the narrow interpretation given to the Clayton Act. Even more significant to organized labor than the power of the courts to interpret a statute is their power to pass on its constitutionality. Judgments on constitutional questions also are necessarily the outcome of the general social philosophy of the judges; for a mere grammatical interpretation of the language of the constitution would not be decisive, and the judicial technique for reaching decisions as to what legislative interferences with the distribution of economic power shall be deemed to fall within the sanction of the vaguely defined "police power" is as yet, perhaps necessarily, crude. The social philosophy of judges is thus a vital factor in determining how the law shall develop in the absence of legislation, how it shall be interpreted pending the enactment of new statutes, and how far the legislature shall be permitted to alter the judge made law. The philosophy of the trial judge is also of vital importance to organized labor; for although his rulings, if erroneous in the view of the appellate court, are reversible they may decide the outcome of a particular controversy in cases where a reversal would come too late. Moreover the judge has wide discretion as to the finding of facts, the scope of an injunction and the granting or withholding of a temporary order on ex parte evidence. Organized labor has frequently used its political in-

fluence to prevent the election, appointment or confirmation of judges whose viewpoint it regards as unsympathetic. The most conspicuous instance was its participation in the successful attempt in 1930 to prevent the confirmation of the appointment of Judge John J. Parker to the United States Supreme Court. In this activity labor was following the example set in 1916 when the confirmation of Justice Brandeis was opposed, although unsuccessfully, by groups which feared that his social philosophy was not sufficiently conservative.

A. G. TAYLOR¹

Legality of Strikes, Picketing and Lockouts

The Strike. While the legality of labor organizations of the "business" or conservative type is seldom questioned in the United States, serious restrictions have been imposed upon their activities. . . .

A *strike* is a stoppage of work by a combination of wage-earners to secure or enforce a demand. The mere quitting of work, however, constitutes but one element in a strike. This element in a strike—the mere act of collectively quitting work—is seldom condemned as illegal by the courts. Yet quitting work is not always lawful: the LaFollette Seamen's Act of 1915, for example, forbade seamen the right to quit work while at sea. The abandonment of a train under circumstances which endanger human life has been considered a criminal offense. In most strikes something more than a simultaneous ex-

¹ Reprinted by permission from A. G. Taylor, *Labor Problems and Labor Law*, copyright 1938 by Prentice-Hall, Inc., New York, pp. 481-506

odus from the job is involved. Other issues usually intervene, such as a threat to leave unless certain demands made upon the employer are met, the maintenance of picket lines, or the establishment of a boycott. The element of combination and agreement is always present, and, aside from the bare act of quitting work, may involve the legality of a strike under the conspiracy doctrine. . . . The legality of a combination usually depends upon whether either intent or means are legal. When such a test is applied, strikes are not always legal. In the majority of court opinions, if the purpose of the strikers be primarily to injure the employer of the non-union workmen, the strike is said to be illegal. Such criteria make strikes legal only when the sole purpose is to benefit the workers. Everywhere in the United States, except in California, the legality of strikes depends upon the purpose for which they are conducted. California courts refuse to recognize the doctrine set forth in *De Minico versus Craig* in these words, ". . . To make the strike a legal strike, the purpose of the strike must be one which the court as a matter of law decides is a legal purpose of a strike, and the strikers must have acted in good faith in striking for such a purpose." . . .

The laws and the court decisions of the various states are most diverse and conflicting, but legislative and judicial attitude toward the *sympathetic strike* is seldom favorable. . . . These decisions are based upon the principle that a union's right of compulsion is limited to strikes against those with whom the organization has a trade dispute. It appears to be an unjustifiable interference with the right of an employer for the carpenters, who have no grievance, to aid the bricklayers and masons in their dispute with the employer. *General strikes*, involving as they do diverse and unrelated tradesmen and artisans, have nearly always been con-

demned as illegal. The courts find no justice in an attack upon a concern by strikers who have no direct or even indirect connection with it. And in this position the courts are assured of public approval. The failure of the sympathetic strike of 1926 in Great Britain, involving railroad workers, dock workers, and coal miners, stands as evidence of the unwillingness of a community to be thus inconvenienced. . . .

The widespread use of *sit-down strikes* during the winter and spring of 1936-1937 raised the question of their legality. The sit-down method was a departure from the traditional method of picketing the place of employment from outside; the sit-down strikers took possession of the employer's premises, preventing the entrance of strike breakers or further operation of the plant until the employer should come to terms with them. The Congress of Industrial Organizations promoted its unionization campaign in the automobile, rubber, and steel industries through the use of the sit-down strike.

Opinion has been divided as to the legality of the sit-down strike. While some contended that the occupancy of the employer's premises against his will was clearly illegal,¹ others pointed to the fact that all economic struggles result in injury to property rights; that the employee's rights to preserve his job and his living standards are equally recognizable rights. This, they contended, has been proved in permitting employees to implement a strike through the use of picketing and boycotts, so as to equalize the bargaining power of the employer and employee.

Employers have in most instances sought relief through injunctions, on the grounds that the strikers were trespassing upon company property. In the few cases

¹ The "sit-down strike" was declared illegal by the United States Supreme Court in the *Fansteel* case decision of February 27, 1939.

coming before the courts, judges have usually upheld the contention of the employers and have in certain instances granted orders restraining union activity and demanding eviction of the strikers. Those orders have demanded that the strikers cease and desist from further occupation of company property, from picketing near the premises, and from interfering with non-striking employees. Civil authorities have been reluctant to use force to evict sit-down strikers, but have usually urged the employer to effect a peaceful settlement, knowing full well the loss of life which might result from an enforced injunction. . . .

There is no effective way to prevent strikes, even though they may be of the illegal sort. Men cannot legally be compelled to work. Labor has long considered the strike protected by the Constitution, particularly by the Thirteenth Amendment, which prohibits slavery and involuntary servitude. Labor has believed the right to strike not only guaranteed by the Constitution, but a right which could not be abridged by legislative, executive, or judicial power. In defiance of this attitude, which was born of a constitutional principle, injunctions have been effectively used in prohibiting union officers from advising or ordering the workmen to go on strike or from paying strike benefits. Some courts have taken the position that such injunctions are improper since they indirectly force men to labor. . . .

The legality of strikes against the government, of strikes obstructing the mails, strikes of policemen and firemen, or even those affecting public utilities and various forms of transportation, is particularly in question. Public disfavor, arising out of immediate danger and inconvenience, influences legislators and judges in dealing with such cases. Public employees are generally prohibited, or at least discouraged, from joining unions, though Federal em-

ployees are permitted to organize but are under contract not to strike during their term of employment. The Sherman Anti-Trust Act of 1890 has sometimes served to bring strikes involving interstate commerce under the ban of the conspiracy doctrine. The weight of court opinion, however, is to the effect that railroad strikes are governed by the same principle relating to purpose as that of other strikes, regardless of the effect on interstate commerce. . . .

The maze of conflicting decisions regarding the legality of strikes makes it possible to state tendencies only. In the absence of statutes prohibiting strikes, such as the Kansas Court of Industrial Relations Act of 1920, strikes for the purpose of increasing wages or shortening the working period—strikes which promise to yield benefits to the strikers—have been considered legal. On the contrary, sympathetic or general strikes have been almost always pronounced illegal. Strikes for a closed-union shop, and strikes against non-union material, have been usually considered illegal, because courts found the primary purpose of such strikes to be the injury of the employer, but Section 13 of the National Labor Relations Act seems to legalize strikes of this character. . . .

Picketing. Except in the case of highly skilled men, or in the case of a closed shop and a closed union, workers cannot strike successfully and merely remain at home without any attempt to win public support or to prevent others from filling the places they have left vacant. In the absence of opposition, new workers will be employed, and soon the establishment will be operating on a normal basis. Nearly every strike, therefore, is supported by concerted action to prevent a new force from entering the plant, and this action takes the form of persuasion or intimidation. Persuasion is generally considered lawful, while all courts agree that intimidation is

unlawful. Only certain forms of persuasion, however, are considered legal. Any attempt to persuade a person to break a contract of service without legal excuse violates a rule of common law. . . .

Picketing may extend from peaceful persuasion through the carrying of banners, the passing out of handbills, or pleading with the so-called "scab" or "strike-breaker" to refrain from entering the plant, to intimidation, ridicule, and threats of violence or even violence itself. Picketing may extend from the plant to the homes of workers who refuse to participate in the strike, or to the homes of "scabs." Those who are the objects of attack by the pickets stand in danger of many annoyances and of violent acts which so often accompany the picketing process. This may account for the legal status of picketing in California, where the courts have condemned the entire practice of picketing as intimidation, even though those same courts have held both the strike and the boycott to be legal. Most picketing is of a peaceful variety, but the rarer violent type has caught the eye of the public because it is colorful and spectacular. The courts, guided by public opinion, have held that picketing almost always involves intimidation and physical coercion. Intimidation has been defined with much elasticity. Even abusive language, or an exceptionally large number of pickets, have been considered intimidation by the courts, and, therefore, unlawful. Some court decisions have gone so far as to conclude that the establishment of a picket line is of itself intimidation, and, therefore, unlawful.

Prior to 1921 the courts differed materially on the question of the legality of picketing. In fact, there was serious disagreement as to whether all picketing might not be illegal. Finally, the United States Supreme Court handed down two decisions relating to picketing which have

served to clarify the situation. In the first of these cases, *American Steel Foundries Co. versus Tri-City Central Trades' Council*, the court held peaceful picketing to be legal, attempted to define peaceful picketing, and took the position that the legality of picketing must be determined in each case by the court. Chief Justice Taft philosophized thus:

"How far may men go in persuasion and communication and still not violate the right of those whom they would influence? . . . We are a social people and the accosting by one of another in an inoffensive way and an offer by one to communicate and discuss information with a view to influencing the other's action are not regarded as aggression or a violation of that other's rights. Persistence, importunity, following, or dogging, become unjustifiable annoyance and obstruction, which is likely soon to savor of intimidation . . . the nearer this importunate intercepting of employees or would-be employees is to the place of business and especially with the property right of access of the employer. . . . In the present case the three or four groups of pickets were made up of from four to twelve in a group. . . . All persuasion used under such circumstances was intimidation. . . . We think that the strikers and their sympathizers engaged in the economic struggle should be limited to one representative for each point of ingress and egress in the plant or place of business, . . . that such representatives should have the right of observation, communication and persuasion, but with special admonition that their communication, arguments and appeals shall not be abusive, libelous, or threatening. . . . This is not laid down as a rigid rule. . . . The purpose should be to prevent the inevitable intimidation of the presence of groups of pickets, but to allow missionaries."

In the second case, *Truax versus Cor-*

rigan, the court held that mass picketing was in conflict with constitutional guarantees of liberty and property, and denied a state the right to pass a law legalizing such conduct. The court stated that "a law which operates to make lawful such a wrong . . . deprives the owner of the business and premises of his property without due process and cannot be held valid under the Fourteenth Amendment." While in the *Truax versus Corrigan* case the court divided five to four upon the constitutionality of the Arizona statute which legalized picketing in that state, there was but one dissenting voice in the *Tri-City* case. The latter was unquestionably the leading case upon the law of picketing insofar as it had influenced subsequent decisions until 1937, when the Supreme Court upheld peaceful picketing "whether engaged in singly or in numbers."

Since 1937 the right of peaceful picketing has been generally upheld. The Supreme Court in the *Senn* case expressly recognized that peaceful picketing and publicity given to a labor dispute are not in violation of the Fourteenth Amendment. . . .

A few courts still look upon picketing as wrongful *per se*, but the doctrine that it is necessarily a species of coercion and intimidation is dogma long since discarded. Despite the fact that the right of peaceful picketing has been generally upheld and that it has been observed by the Wisconsin Supreme Court that "neither the Wisconsin Labor Code nor the Norris-LaGuardia Act contain any provisions expressly inhibiting labor organizations from exercising the coercion and domination prohibited to employers," there nevertheless seems to be a universally recognized distinction between lawful and unlawful strikes. Acts of violence, fraud, mass picketing and secondary boycotts have been uniformly enjoined. . . .

Apparently the right to picket in America is quite as secure as it is in Great Britain. The Trades Dispute Act of 1906 granted British labor the right of peaceful picketing, but a British law of 1927 forbids picketing which is on so large a scale as to result in intimidation. A state which forbids picketing does so undoubtedly on the theory that peaceful picketing is impossible. In an early Federal case the judge declared that "There is and can be no such thing as peaceful picketing, any more than there can be chaste vulgarity or peaceful mobbing or lawful lynching. When men want to persuade, they do not organize a picket line." It must be granted that the line where peaceful persuasion stops and intimidation begins is vague and hard to locate with certainty.

Apart from the objective and technical opinions of the courts, what social justification can be presented for picketing? Two so-called rights appear to be in conflict: (1) the right of strikers to use their persuasive powers, either individually or collectively, upon strike-breakers who would rob them of their places in industry, or upon consumers who can aid them in their battle for a larger share of the product of industry; and (2) the right of the employer to conduct his business without interference from either employees or consumers. The employer may logically claim no more right to be free from interference from either employees or consumers than from the competitive force of those who sell goods like his own. Picketing is an economic device, which if shorn of violence, is as legitimate a method of competition as the secondary boycott. Picketing and boycotting accomplish no different end, insofar as property rights embodied in profits are concerned, than an attempt on the part of one merchant to induce a customer to buy from him rather than from his competitor. Nor are picketing and boycotting, as collective

forms of behavior, in principle unlike the collective force of a chamber of commerce which urges the members of its community to refrain from buying elsewhere. These, however, are but academic reasonings in the face of court sovereignty and the ability of the courts to hold the balance of power between the workers and the employers. As Robert F. Hoxie pointed out, "they can make or mar any effort of the organized workers to better their relations with unwilling employers. They hold the practical destinies of militant unionism in their hands. If, as judges, they are closely identified in viewpoint with the employers, they can destroy any practical equality of legal relationship between the two forces."

The lockout. A lockout is an employer's strike, involving the closing of the plant or place of business to employees. . . . Numerically, lockouts are insignificant as compared to strikes, amounting to only about 3 per cent of the total number of both. Lockouts are significant, however, for they last on the average three times as long as strikes, and involve on the average more workers. A lockout is seldom used since it breaks up an employer's business just as completely as a strike. If the employer can accomplish the same end by discharging leaders in the union group, that is a more economical procedure and often quite as effective. Such a procedure, however, became difficult after the United States Supreme Court in 1937 upheld the National Labor Relations Act.

Formerly, the right of employers to lock out employees had been sustained without any qualification. Theoretically, the strike and the lockout are equally legitimate; the practical difference lies in the social effects of each. A strike creates mass action, vividly portrayed before the populace in the streets, the parks, and in other public places. The police assume the responsibility of an emergency situation,

and the people of the community not directly involved become concerned over the safety of life and property. A lockout, on the other hand, is a relatively quiet procedure. The workers scatter to their individual homes, and the employers meet in an office or hotel, creating no problem for the police. The maintenance of morale among the workers on strike demands meeting in large numbers and the public speaking which accompanies it. Public order is threatened. A lockout may be maintained through private speaking and telephone conversations among the few employers involved.

FELIX FRANKFURTER
and NATHAN GREENE¹

Labor Injunction

Felix Frankfurter (1882-) is Austrian-born Associate Justice of the United States Supreme Court; he was formerly Counsel to the President's Mediation Commission.

Nathan Greene was formerly at Harvard University, and associated with Felix Frankfurter in their study of the labor injunction.

The use of the injunction in industrial controversies gives as striking an illustration as the law affords of the truth that in the domain of ideas, no less than in the biological world, an organism cannot be torn from the context of its environment without destroying its meaning. Abstractly the labor injunction is merely the

¹ From Felix Frankfurter and Nathan Greene, "Labor Injunction," *Encyclopaedia of the Social Sciences*, copyright 1932 by The Macmillan Company and used with their permission, Vol. 8, pp. 653-57.

application of a generalized legal idea to particular circumstances. But these introduce social and economic factors which give the injunction a unique setting and create for it an essentially new situation. . . .

In the United States appeal to the courts for injunction against strikers was facilitated through the adventitious fact that in the 1870's, following the panic of 1873, great railroad properties were in the hands of receivers and thus, theoretically, administered by courts. Obstructions to the operation of such railroads were treated as obstructions to the courts, and judicial orders against strikers naturally suggested themselves. Disobedience of such orders was followed by summary punishment for contempt of court, which had the advantage of avoiding the cumbersome process of the criminal law. To grant injunctions against strikers in cases other than receiverships was an easy transition for lawyers and judges.

In law as elsewhere imitation is a potent factor. But in the spread of the labor injunction the incisive and quick nature of the remedy was a powerful ally of imitation. An application was made in a labor case for an injunction apart from a receivership in New York in 1880 but seems to have been refused. Such injunctions, however, were granted in Maryland and Ohio in 1883, in Iowa in 1884, in Pennsylvania and Massachusetts in 1888. There were doubtless other instances; legal records in such matters are most inadequate. As a legal institution the labor injunction reached its maturity in 1895, when in the famous Debs case the Supreme Court sanctioned the injunction by which probably the Pullman strike was broken. Thereafter the labor injunction became a customary weapon in the strategy of American industrial conflicts. While no authoritative statistics as to the number of injunctions are available, there are a few

straws. For the federal courts from 1901 to 1928 the official reports disclose 118 applications; a congressional investigator in 1914 found 116 unreported injunctions; a private inquiry by Senator Pepper of Pennsylvania disclosed that during the railway shopmen's strike of 1922 nearly 300 injunctions were asked for and granted (see Pepper, G. W., in *American Bar Association, Report*, Vol. xlix, 1924, pp. 174-80). Of these only 12 seem to have been officially reported. For Massachusetts an official investigator revealed more than 260 cases between 1898 and 1916, and for New York City there were at least 250 cases between 1894 and 1928.

The grounds avowed by courts for resorting to the injunction in labor cases are the actual or threatened damage to property rights and inadequacy of legal remedies. To resort to the criminal law, it is urged, is to lock the barn after the horse is stolen, and suits for money damage are futile because money cannot compensate; too many suits would have to be brought in view of the continuing nature of the menace, and the strikers are financially irresponsible. Despite the novelty of the remedy and the serious differences between a labor controversy and the situations for which injunctions had been historically employed, the Supreme Court in the Debs case concluded that "the jurisdiction of courts to interfere in such matters by injunction is one recognized from ancient time and by indubitable authority." Contemporary legal scholarship challenges this claim.

The labor injunction derives significance from the mode by which it has operated. What is called procedure determines results. In theory the final injunction decree alone is an adjudication on the merits; temporary restraining orders and temporary injunctions are nominally provisional. In fact, however, the restraining order and temporary injunction usually

register the ultimate disposition of a labor litigation, which seldom persists to a final decree. Lack of resources may frustrate pursuit of the litigation or, as is often the case, the strike has ended before the final stage is reached and ended not infrequently as a result of the injunction. Of the 118 officially reported federal court cases from 1901 to 1928, 70 involved *ex parte* orders and 88 temporary injunctions. Twelve of the *ex parte* orders and 56 of the temporary injunctions were in fact final dispositions. Of 35 temporary injunctions issued by the New York courts from 1923 to 1927 none reached a further stage.

The theoretical safeguards attending the final decree are therefore largely inoperative. Here as elsewhere in law its formal doctrines tell very little of what law does for those who invoke it or against whom it is invoked. Not the so-called principles governing the "rights" and "duties" of the combatants in a strike, but the procedural characteristics of provisional relief furnish the key to an understanding of the labor injunction in action. The truth of the situation is seldom explored through oral testimony, and the proceeding largely resolves itself into a clash of affidavits. These, because they flow from the passionate partisanship of a labor struggle and are drafted more with an eye to the requisites of legal formula than of truth, are generally contradictory in all important particulars. The judge determines the facts without the aid of a jury, and the usual safeguards for sifting fact from distortions or imaginings—personal appearance of witnesses and cross examination by opposing counsel—are lacking. Finally, the opportunity to correct error by appeal is extremely narrow and seldom exercised.

To be sure, violence is an incident and too often an ingredient of industrial strife in the United States. Latter day labor racketeering is still another story. Whatever the cause for this violence—the ready

resort to violence generally, the survival of pioneer traditions, the less rooted habits of the American population, the exacerbation of feeling or the actual incitement to violence by agents provocateurs and proprietary police—the injunction serves theoretically as a swift and effective check. Legal theory therefore justifies it in so far as it explicitly restrains illegal conduct. But departures from this theory are abundant and indeed common. The text of the injunction has grown to be an elaborate and complex document—a fearsome and ambiguous instrument reaching far beyond outlawed excesses and snuffing out trade union activities which as a matter of abstract law are deemed legitimate. Injunctions have restrained innocent conduct through fear of violation of general and all inclusive terms of doubtful meaning. They have restrained conduct that is clearly permissible, like furnishing strike benefits, singing songs, maintaining tent colonies; permissible, that is, on the theory that it is the function of the law merely to keep the peace and maintain the ring between employers and employees according to the prevalent standards of fair economic combat. The dangers of these drag-net decrees have led a few of the more farsighted judges to attempt to define with particularity the line between forbidden and permitted conduct. What can be done by an imaginative and conscientious judge was shown during the railroad strike in 1922 by Judge Charles F. Amidon [*Great Northern Ry. Co. v. Brosseau*, 286 Fed. 414 (1923)]. While the injunction is the result of a judicial proceeding between two litigants, its obligations frequently, especially in the federal courts, attach to the general public. By the easy device of blanket clauses its prohibitions extend to "all persons whomsoever" or "all persons to whom notice of this order shall come." All aware of the injunction must obey it or be punished for contempt.

The practical uses to which the labor injunction has been put have turned it into a persisting political issue. It has maintained itself thus to no small degree because disinterested legal opinion has supported the essential grievances of labor. Some of the most learned scholars of equity procedure have found the labor injunction inconsonant with the traditions and philosophy of the whole equitable process. Ever since the Debs case it has been urged that except under appropriate safeguards and within a defined and restricted area the injunction is not an appropriate intervention in the conflict of forces between employers and employed. The decree places the power of the state upon one side of a complicated social struggle in advance of and frequently altogether without that careful ascertainment of fact which is the traditional protection of the innocent; the injunction invades by indirection constitutional safeguards that speech, press and assembly shall be free from previous restraints; vague and all-inclusive terminology customarily employed results in sweeping decrees which subject all activity—legitimate no less than illegitimate—to the peril of prosecution for contempt; and therefore the injunction becomes in effect a penal code enacted, interpreted and enforced by a single judge without the constitutional securities available to persons accused of crime.

The extent to which these consequences of the injunction affect the labor conflict lies almost wholly in the realm of guesswork. There are as yet no dependable data regarding the effect of the injunction upon the progress of unionization in America; and equally meager and inconclusive is the evidence, aside from opinion testimony, of the relation of injunctions to the results of particular strikes. Does interdicted conduct cease or is it intensified? Are injunctions enforced and to what extent and with what consequences?

Answers to such questions require an intensive and subtle analysis of the elusive factors of particular controversies in their economic, social and psychological settings. With the exception of some studies in the New York garment industry by Brissenden and Swayzee and a recent inquiry into a few southern strikes by McCracken, social economists have left this field of inquiry unexplored. But considerable evidence has necessarily been gathering upon the effect of the injunction on public opinion, particularly on opinion generated by the feelings of the workers. To the United States Commission on Industrial Relations its director in 1915 reported that "... there exists among the workers [of whom there were then said to be twenty-five million] an almost universal conviction that they ... are denied justice in the enactment, adjudication, and administration of law, that the very instruments of democracy are often used to oppress them and to place obstacles in the way of their movement toward economic, industrial and political freedom and justice."

Labor's feeling against the use of the injunction has certainly not abated since 1915. Nor has its bitterness been appeased by its own occasional resort to the injunction. Labor has employed the injunction as a weapon in internecine conflicts and has invoked it against employers to enforce collective bargaining agreements, to restrain the operation of black lists or to insure some forms of statutory protection. The most significant instance of use of the injunction by labor arose under the Railway Labor Act of 1926 and resulted in a decision by the Supreme Court highly favorable to the workers [*Texas & N. O. R. Co. v. Ry. Clerks*, 281 U.S. 548 (1930)]. On the whole, however, opportunities for such relief have heretofore been comparatively restricted and the gains achieved have not outweighed the detriments. More-

over the circumstances to which the injunction applies when invoked by labor do not lend themselves to the procedural abuses that have developed as the normal concomitants of the injunctive process against labor. It is not surprising therefore that according to the American Federation of Labor the use of the Injunction by labor is "a snare and a delusion."

National Labor Relations Act —Selections¹

AN ACT

To diminish the causes of labor disputes burdening or obstructing interstate and foreign commerce, to create a National Labor Relations Board, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

FINDINGS AND POLICY

Section 1. The denial by employers of the right of employees to organize and the refusal by employers to accept the procedure of collective bargaining lead to strikes and other forms of industrial strife or unrest, which have the intent or the necessary effect of burdening or obstructing commerce by (a) impairing the efficiency, safety, or operation of the instrumentalities of commerce; (b) occurring in the current of commerce; (c) materially affecting, restraining, or controlling the flow of raw materials or manufactured or

processed goods from or into the channels of commerce, or the prices of such materials or goods in commerce; or (d) causing diminution of employment and wages in such volume as substantially to impair or disrupt the market for goods flowing from or into the channels of commerce.

The inequality of bargaining power between employees who do not possess full freedom of association or actual liberty of contract, and employers who are organized in the corporate or other forms of ownership association substantially burdens and affects the flow of commerce, and tends to aggravate recurrent business depressions, by depressing wage rates and the purchasing power of wage earners in industry and by preventing the stabilization of competitive wage rates and working conditions within and between industries.

Experience has proved that protection by law of the right of employees to organize and bargain collectively safeguards commerce from injury, impairment, or interruption, and promotes the flow of commerce by removing certain recognized sources of industrial strife and unrest, by encouraging practices fundamental to the friendly adjustment of industrial disputes arising out of differences as to wages, hours, or other working conditions, and by restoring equality of bargaining power between employers and employees.

It is hereby declared to be the policy of the United States to eliminate the causes of certain substantial obstructions to the free flow of commerce and to mitigate and eliminate these obstructions when they have occurred by encouraging the practice and procedure of collective bargaining and by protecting the exercise by workers of full freedom of association, self-organization, and designation of representatives of their own choosing, for the

¹ Reprinted by permission from *National Labor Relations Board Cases* by C. Aikin, published by John Wiley & Sons, Inc., New York, 1939, pp. 106-10.

purpose of negotiating the terms and conditions of their employment or other mutual aid or protection. . . .

NATIONAL LABOR RELATIONS BOARD

Sec. 3. (a) There is hereby created a board, to be known as the "National Labor Relations Board" (hereinafter referred to as the "Board"), which shall be composed of three members, who shall be appointed by the President, by and with the advice and consent of the Senate. One of the original members shall be appointed for a term of one year, one for a term of three years, and one for a term of five years, but their successors shall be appointed for terms of five years each, except that any individual chosen to fill a vacancy shall be appointed only for the unexpired term of the member whom he shall succeed. The President shall designate one member to serve as chairman of the Board. Any member of the Board may be removed by the President, upon notice and hearing, for neglect of duty or malfeasance in office, but for no other cause. . . .

RIGHTS OF EMPLOYEES

Sec. 7. Employees shall have the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted activities, for the purpose of collective bargaining or other mutual aid or protection.

Sec. 8. It shall be an unfair labor practice for an employer—

(1) To interfere with, restrain, or coerce employees in the exercise of the rights guaranteed in section 7.

(2) To dominate or interfere with the formation or administration of any labor organization or contribute financial or other support to it: *Provided*, That subject to rules and regulations made and published by the Board pursuant to section 6

(a), an employer shall not be prohibited from permitting employees to confer with him during working hours without loss of time or pay.

(3) By discrimination in regard to hire or tenure of employment or any term or condition of employment to encourage or discourage membership in any labor organization: *Provided*, That nothing in this Act, or in the National Industrial Recovery Act (U.S.C., Supp. VII, title 15, secs. 701-712), as amended from time to time, or in any code or agreement approved or prescribed thereunder, or in any other statute of the United States, shall preclude an employer from making an agreement with a labor organization (not established, maintained, or assisted by any action defined in this Act as an unfair labor practice) to require as a condition of employment membership therein, if such labor organization is the representative of the employees as provided in section 9 (a), in the appropriate collective bargaining unit covered by such agreement when made.

(4) To discharge or otherwise discriminate against an employee because he has filed charges or given testimony under this Act.

(5) To refuse to bargain collectively with the representatives of his employees, subject to the provisions of section 9 (a).

REPRESENTATIVES AND ELECTIONS

Sec. 9 (a) Representatives designated or selected for the purposes of collective bargaining by the majority of the employees in a unit appropriate for such purposes, shall be the exclusive representative of all the employees in such unit for the purposes of collective bargaining in respect to rates of pay, wages, hours of employment, or other conditions of employment: *Provided*, That any individual employee or a group of employees shall have the right at any time to present grievances to their employer.

(b) The Board shall decide in each case whether, in order to insure to employees the full benefit of their right to self-organization and to collective bargaining, and otherwise to effectuate the policies of this Act, the unit appropriate for the purposes of collective bargaining shall be the employer unit, craft unit, plant unit, or subdivision thereof.

NATIONAL LABOR RELATIONS BOARD

Jones and Laughlin Decision¹

Chief Justice Hughes (Justices Brandeis, Stone, Roberts, and Cardozo concurring) delivered the opinion of the Court. . . .

We think it clear that the National Labor Relations Act may be construed so as to operate within the sphere of constitutional authority. The jurisdiction conferred upon the Board, and invoked in this instance, is found in Section 10 (a), which provides:

"Section 10 (a) The Board is empowered, as hereinafter provided, to prevent any person from engaging in any unfair labor practice (listed in section 8) affecting commerce."

The critical words of this provision, prescribing the limits of the Board's authority in dealing with the labor practices, are "affecting commerce." The Act specifically defines the "commerce" to which it refers (sec. 2 (6)):

"The term 'commerce' means trade, traffic, commerce, transportation, or communication among the several States, or

between the District of Columbia or any Territory of the United States and any State or other Territory, or between any foreign country and any State, Territory, or the District of Columbia, or within the District of Columbia or any Territory, or between points in the same State but through any other State or any Territory or the District of Columbia or any foreign country."

There can be no question that the commerce thus contemplated by the Act (aside from that within a Territory or the District of Columbia) is interstate and foreign commerce in the constitutional sense. The Act also defines the term "affecting commerce" (Sec. 2 (7)):

"The term 'affecting commerce' means in commerce, or burdening or obstructing commerce or the free flow of commerce, or having led or tending to lead to a labor dispute burdening or obstructing commerce or the free flow of commerce."

This definition is one of exclusion as well as inclusion. The grant of authority to the Board does not purport to extend to the relationship between all industrial employees and employers. Its terms do not impose collective bargaining upon all industry regardless of effects upon interstate or foreign commerce. It purports to reach only what may be deemed to burden or obstruct that commerce and, thus qualified, it must be construed as contemplating the exercise of control within constitutional bounds. It is a familiar principle that acts which directly burden or obstruct interstate or foreign commerce, or its free flow, are within the reach of the congressional power. Acts having that effect are not rendered immune because they grow out of labor disputes. . . .

The unfair labor practices in question. The unfair labor practices found by the Board are those defined in Section 8, subdivisions (1) and (3). These provide:

"Section 8. It shall be an unfair labor practice for an employer—

¹ Reprinted by permission from *National Labor Relations Board Cases* by C. Aikin, published by John Wiley & Sons, Inc., New York, 1939, pp. 8-20.

(1) To interfere with, restrain, or coerce employees in the exercise of the rights guaranteed in section 7.

(3) By discrimination in regard to hire or tenure of employment or any term or condition of employment to encourage or discourage membership in any labor organization."

Section 8, subdivision (1), refers to Section 7, which is as follows:

"Section 7. Employees shall have the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted activities, for the purpose of collective bargaining or other mutual aid or protection."

Thus, in its present application, the statute goes no further than to safeguard the right of employees to self-organization and to select representatives of their own choosing for collective bargaining or other mutual protection without restraint or coercion by their employer.

That is a fundamental right. Employees have as clear a right to organize and select their representatives for lawful purposes as the respondent has to organize its business and select its own officers and agents. Discrimination and coercion to prevent the free exercise of the right of employees to self-organization and representation is a proper subject for condemnation by competent legislative authority. Long ago we stated the reason for labor organizations. We said that they were organized out of the necessities of the situation; that a single employee was helpless in dealing with an employer; that he was dependent ordinarily on his daily wage for the maintenance of himself and family; that if the employer refused to pay him the wages that he thought fair, he was nevertheless unable to leave the employ and resist arbitrary and unfair treatment; that union was essential to give laborers opportunity to

deal on an equality with their employer. . . . Fully recognizing the legality of collective action on the part of employees in order to safeguard their proper interests, we said that Congress was not required to ignore this right but could safeguard it. Congress could seek to make appropriate collective action of employees an instrument of peace rather than of strife. We said that such collective action would be a mockery if representation were made futile by interference with freedom of choice. Hence the prohibition by Congress of interference with the selection of representatives for the purpose of negotiation and conference between employers and employees, "instead of being an invasion of the constitutional rights of either, was based on the recognition of the right of both." . . .

The application of the Act to employees engaged in production.—*The principle involved.* Respondent says that whatever may be said of employees engaged in interstate commerce, the industrial relations and activities in the manufacturing department of respondent's enterprise are not subject to federal regulation. The argument rests upon the proposition that manufacturing in itself is not commerce. . . .

The Government distinguishes these cases. The various parts of respondent's enterprise are described as interdependent and as thus involving "a great movement of iron ore, coal and limestone along well-defined paths to the steel mills, thence through them, and thence in the form of steel products into the consuming centers of the country—a definite and well-understood course of business." It is urged that these activities constitute a "stream" or "flow" of commerce, of which the Aliquippa manufacturing plant is the focal point, and that industrial strife at that point would cripple the entire movement. Reference is made to our decision sustain-

ing the Packers and Stockyards Act *Staford v. Wallace*, 258 U.S. 495. The Court found that the stockyards were but a "throat" through which the current of commerce flowed and the transactions which there occurred could not be separated from that movement. Hence the sales at the stockyards were not regarded as merely local transactions, for while they created "a local change of title" they did not "stop the flow," but merely changed the private interests in the subject of the current. . . .

The congressional authority to protect interstate commerce from burdens and obstructions is not limited to transactions which can be deemed to be an essential part of a "flow" of interstate or foreign commerce. Burdens and obstructions may be due to injurious action springing from other sources. The fundamental principle is that the power to regulate commerce is the power to enact "all appropriate legislation" for "its protection and advancement." . . . Although activities may be intrastate in character when separately considered, if they have such a close and substantial relation to interstate commerce that their control is essential or appropriate to protect that commerce from burdens and obstructions, Congress cannot be denied the power to exercise that control. . . .

The close and intimate effect which brings the subject within the reach of federal power may be due to activities in relation to productive industry although the industry when separately viewed is local. . . .

It is thus apparent that the fact that the employees here concerned were engaged in production is not determinative. The question remains as to the effect upon interstate commerce of the labor practice involved. . . .

Effects of the unfair labor practice in respondent's enterprise. Giving full weight

to respondent's contention with respect to a break in the complete continuity of the "stream of commerce" by reason of respondent's manufacturing operations, the fact remains that the stoppage of those operations by industrial strife would have a most serious effect upon interstate commerce. In view of respondent's far-flung activities, it is idle to say that the effect would be indirect or remote. It is obvious that it would be immediate and might be catastrophic. We are asked to shut our eyes to the plainest facts of our national life and to deal with the question of direct and indirect effects in an intellectual vacuum. Because there may be but indirect and remote effects upon interstate commerce in connection with a host of local enterprises throughout the country, it does not follow that other industrial activities do not have such a close and intimate relation to interstate commerce as to make the presence of industrial strife a matter of the most urgent national concern. When industries organize themselves on a national scale, making their relation to interstate commerce the dominant factor in their activities, how can it be maintained that their industrial labor relations constitute a forbidden field into which Congress may not enter when it is necessary to protect interstate commerce from the paralyzing consequences of industrial war? We have often said that interstate commerce itself is a practical conception. It is equally true that interferences with that commerce must be appraised by a judgment that does not ignore actual experience.

Experience has abundantly demonstrated that the recognition of the right of employees to self-organization and to have representatives of their own choosing for the purpose of collective bargaining is often an essential condition of industrial peace. Refusal to confer and negotiate has

been one of the most prolific causes of strife. This is such an outstanding fact in the history of labor disturbances that it is a proper subject of judicial notice and requires no citation of instances. . . .

These questions have frequently engaged the attention of Congress and have been the subject of many inquiries. The steel industry is one of the great basic industries of the United States, with ramifying activities affecting interstate commerce at every point. The Government aptly refers to the steel strike of 1919-1920 with its far-reaching consequence. The fact that there appears to have been no major disturbance in that industry in the more recent period did not dispose of the possibilities of future and like dangers to interstate commerce which Congress was entitled to foresee and to exercise its protective power to forestall. It is not necessary again to detail the facts as to respondent's enterprise. Instead of being beyond the pale, we think that it presents in a most striking way the close and intimate relation which a manufacturing industry may have to interstate commerce and we have no doubt that Congress had constitutional authority to safeguard the right of respondent's employees to self-organization and freedom in the choice of representatives for collective bargaining. . . .

The Act has been criticised as one-sided in its application; that it subjects the employer to supervision and restraint and leaves untouched the abuses for which employees may be responsible; that it fails to provide a more comprehensive plan,—with better assurances of fairness to both sides and with increased chances of success in bringing it about, if not compelling, equitable solutions of industrial disputes affecting interstate commerce. But we are dealing with the power of Congress, not with a particular policy or

with the extent to which policy should go. We have frequently said that the legislative authority, exerted within its proper field, need not embrace all the evils within its reach. The Constitution does not forbid "cautious advance, step by step," in dealing with the evils which are exhibited in activities within the range of legislative power. . . . The question in such cases is whether the legislature, in what it does prescribe, has gone beyond constitutional limits.

The procedural provisions of the Act are assailed. But these provisions, as we construe them, do not offend against the constitutional requirements governing the creation and action of administrative bodies. . . . We construe the procedural provisions as affording adequate opportunity to secure judicial protection against arbitrary action in accordance with the well-settled rules applicable to administrative agencies set up by Congress to aid in the enforcement of valid legislation. . . .

The order of the Board required the reinstatement of the employees who were found to have been discharged because of their "union activity" and for the purpose of "discouraging membership in the union." That requirement was authorized by the Act. . . .

Respondent complains that the Board not only ordered reinstatement but directed the payment of wages for the time lost by the discharge, less amounts earned by the employee during that period. This part of the order was also authorized by the Act. Sec. 10 (c). . . .

Our conclusion is that the order of the Board was within its competency and that the Act is valid as here applied. The judgment of the Circuit Court of Appeals is reversed and the cause is remanded for further proceedings in conformity with this opinion. *Reversed.*

RUSSELL A. SMITH¹

Recent Developments in Labor Law

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It will be helpful in appraising labor relations problems of today to recall that unionism in this country has trodden a rough and thorny path over the past century. Unions were not welcomed by employers, worker inertia itself was a considerable obstacle, and by and large the general public was dubious as to the value of unionism. Facing these difficulties unions from the beginning felt compelled to resort to self-help—the strike, the picket line, the boycott, etc.—to achieve their aims. In so doing they encountered vigorous and successful opposition in the courts, as injured economic interests, and even the government, sought relief. Judges, responding to the atmosphere of the times, were astute to find reasons for holding both union objectives and methods unlawful. Effective assistance was found in the application to union activities of many kinds of statutes, but especially the anti-trust laws. "Rule by injunction" developed and became commonplace. . . .

The precursor of the "liberal" judicial approach could be seen in the dissenting opinions of Justice Holmes who, as a member of the Supreme Court of Massachusetts, though convinced that unionism was confronted with the "iron law of wages," believed nonetheless that workers should be free to band together to press their common complaints against the owners of the means of production. Yet these were minority views. The official legisla-

tive attitude during most of this period was one of "non-intervention," with the result that the courts remained free to referee the economic contest in accordance with rules which had been developed in an atmosphere of intolerance.

The coming of the "New Deal" in the depth of an economic depression of unprecedented magnitude provided the advocates of unionism with political opportunities of immeasurable value. Enfranchised but jobless millions, and other millions of "underprivileged," who were haunted with fear, insecurity and disillusionment, found a ready champion in the President who, through a combination of principle and political opportunism became in reality the head of a labor front government. The country thereupon entered a new political phase, a "laboristic economy," to use the apt expression of Professor Sumner Slichter. Nothing so significant has happened in the history of the labor movement in this country, and this event provides the clue to the significant developments in labor law since that date.

Unionism seized the opportunity thus provided, and sought a political solution to some of its problems. There resulted, in 1935, the National Labor Relations Act, the avowed purpose of which was to build strong, independent unions, and, in 1938, the Fair Labor Standards Act, which introduced the federal government directly into the business of fixing wage, hour and other labor standards. Of at least equal importance, a pro-labor administration was able, in due course, to make a substantial sweep of the federal judiciary. Judges were appointed with perhaps more than the usual regard for sympathy with the political and economic views of the President and his advisers. Similar considerations, of course, obtained in the appointment of administrative personnel.

In this setting organized labor grew rapidly in numbers and influence. It was

¹ Russell A. Smith, "Recent Developments in Labor Law," 44 *Michigan Law Review* 1089.

at the height of its power during the war period, a fact reflected by the potency of its influence in connection with the problems of mobilization, particularly with respect to manpower. . . .

THE RIGHT TO PICKET AS A CIVIL LIBERTY

Workers have always been privileged, of course, under the Bill of Rights to give expression to their views by the ordinary media of publicity. But pamphleteering, the oratory of the meeting hall and the art of personal communication, while perhaps adequate to the needs of the political campaign, have not been deemed sufficient in the sterner economic forum. The pressure of the picket line, usually in support of a strike, has been considered necessary. Perhaps the most significant development of the past five years in decisional labor law has been the extension by the Supreme Court of the shelter of the Constitution to some form of picketing.

Thornhill v. Alabama and *Carlson v. California*, decided in 1940 by the reconstructed Court, are the landmark cases which established this principle. In the former case it was held that an Alabama statute which prohibited loitering about or picketing business premises for the purpose of adversely influencing or affecting trade or employment relations was invalid on its face under the Fourteenth Amendment. The statute had been applied in a situation where from six to eight AFL members had picketed an employer's premises. There was no evidence of violence. The *Carlson* case involved a Shasta County, California, ordinance which was substantially similar to the Alabama statute. Appellant, who had been convicted under the ordinance, was one of a group of twenty-nine men who had been engaged in the peaceful picketing of a tunnel project, bearing signs stating: "This job is unfair to CIO." The ordi-

nance was likewise held to be invalid on its face.

In forbidding the activities covered by the Alabama statute the state, according to the Court, had proscribed "every practicable, effective means whereby those interested—including the employees directly affected—may enlighten the public on the nature and causes of a labor dispute." That such activities may be effective in producing economic loss to the employer or to his employees was regarded as immaterial—as, in fact, only the natural result of this form of "persuasion." . . .

These decisions produced loud reverberations throughout the legal world. They were obviously sound if viewed, as they could be, simply as a repudiation of an attempt to forbid pamphleteering and corner speech-making concerning economic matters. But quite a different aspect was involved if the Court intended to lift (or perhaps one should say reduce) picketing as ordinarily understood (even though a term of "vague contours" to use Justice Murphy's terminology) to the level of mere publicity, and thus to give it constitutional sanction.

Heated discussions quickly appeared in the literature. Was the Court aware of the implications of its decisions? The very possibility of "peaceful" picketing had been denied by some courts: violent and mass picketing were commonly thought to be illegal beyond question; courts which conceded that there could be lawful picketing had solidly established the rule that all picketing was enjoined where it had been so enmeshed in acts of violence or other improprieties that, in the public mind, it was bound in the future to connote force, though peacefully conducted; picketing as a means to effectuate secondary boycotts had been forbidden; and picketing, even though peaceful, had been held illegal where conducted for purposes deemed improper. These gen-

eral principles had found their way into the *Torts Restatement*. Did the court intend, at a single stroke, to obliterate a substantial part of this body of law?

The answer, of course, was not to be found simply in the *Thornhill* decision. It was inevitable that the Court should be confronted with cases which would test the scope of the new rule. Two such came to the Court in quick succession. The first, *American Federation of Labor v. Swing*, the Court took in full stride. Unanimously it was held that the constitutional privilege extended to a union's attempt, by means of peaceful picketing, to unionize a beauty parlor, despite the absence of an employment relationship between the proprietor and the picketers. In the second case, *Milk Wagon Drivers Union of Chicago, Local 753 v. Meadowmoor Dairies*, the Court foundered on the solid rock of local interest in the preservation of peace and order. With Justices Black, Douglas and Reed sharply dissenting, it refused to intervene where the Illinois Supreme Court had decided that the picketing there involved had been so enmeshed with acts of violence that all possibility of merely peaceful persuasion was gone, and hence that the trial court had properly enjoined all further picketing.

The *Swing* case confirmed that the *Thornhill* decision did not rest simply on the point that the use of the printed or spoken word in the vicinity of an employer's premises cannot be denied to a labor union. Picketing in the ordinary sense, the use of "human sentinels," is likewise privileged. Moreover, the narrow and unrealistic view as to the proper "circle of economic competition between employers and workers," at an earlier day used by the Court in the *Duplex* case to delimit the labor injunction restrictions of the Clayton Act, was rejected in the application of the new constitutional doctrine. But the *Meadowmoor* case ob-

viously opened to the courts a means of avoiding the rule in situations particularly offensive because of labor's excesses. Thereby the common law as to violent (non-peaceful) picketing was perhaps left pretty much intact, save only for the restraining fact that the Supreme Court has the "ultimate power to search the records in the state courts" to see that the constitutional guaranty is not defeated by "insubstantial findings of fact screening reality."

Four other Supreme Court decisions have further delineated the principle announced in *Thornhill's* case. Two of these, decided in 1942, were concerned with the economic area within which the constitutional privilege may be asserted. In *Bakery and Pastry Drivers and Helpers Local 802 v. Wohl* the Court held that the New York anti-injunction act, as interpreted and applied by the New York courts, infringed the constitutional rights of a bakery drivers' union, which had been enjoined from peacefully picketing bakeries from which non-union bakery peddlers purchased their goods. The union had been waging a losing battle against the increasing use of the peddler system, and had sought by means of picketing to induce the peddlers to employ union relief men one day per week. It was the Court's view that the union had used the only practicable means at hand to make their "legitimate" grievances known to the public "whose patronage was sustaining the peddler system." But in the *Ritter's Café* case, decided the same day, substance was given to the statement of Justice Jackson, writing for the majority in the *Wohl* case, that "a state is not required to tolerate in all places and all circumstances even peaceful picketing by an individual." By a five-four decision the Court upheld a Texas court decree enjoining secondary picketing as a violation of the state Anti-trust laws.

The facts in this case are important. In furtherance of a dispute between the carpenter's union and a building contractor who employed non-union labor on a construction job for Ritter, the union had peacefully picketed another wholly independent establishment, a restaurant, also operated by Ritter. The majority of the Court believed that here, unlike the situation presented by the *Wohl* case, there had been a "conscription of neutrals," which Texas could, if it so chose, prohibit. Justices Stone, Roberts and Byrnes, with the majority in this case, have since been replaced by Justices Vinson, Burton and Rutledge. In view of the obvious difficulty of the decision, in the light of the *Wohl* case, and the strongly held views of the dissenting justices, one can hardly assume with confidence that the limiting principle of Ritter's case (however it should be stated) will be given liberal application. Yet even the dissenters recognized in their concurring opinion in the *Wohl* case that "picketing by an organized group is more than free speech . . . since the very presence of a picket line may induce action of one kind or another, quite irrespective of the nature of the ideas which are being disseminated," and "hence those aspects of picketing make it the subject of restrictive regulation."

Two additional decisions remain to be mentioned. In *Cafeteria Employees Union v. Angelos*, decided in 1943, the Court unanimously struck again at the New York Court of Appeals' current liberality in upholding labor injunctions. The Court had sustained an injunction on the theory that no labor dispute was involved in a situation where the picketed premises were, at the time of suit, operated by a partnership which, in point of law, was without employees. The contention of defendants that the employer had simply formed a partnership with his employees in order to be able to make a legal attack

on the picketing was regarded as immaterial. But the Supreme Court held that this decision could not stand against the *Swing* case and that the misrepresentation involved in the publicity used by the picketers was not such as to justify a sweeping injunction.

The other case arose out of a foray by Mr. R. J. Thomas, then head of the militant U.A.W., against an attempt by the State of Texas to subject union organizing activities to a fairly mild sort of regulation. Texas enacted a statute requiring professional union organizers to obtain organizers' cards from the Secretary of State. Thomas proceeded to Texas for the avowed purpose of violating this statute and thus precipitating a test case. In anticipation the Attorney General of Texas obtained an ex parte order enjoining Thomas from soliciting memberships in OWIU (Oil Workers Industrial Union), a CIO affiliate, without first obtaining an organizer's card. Thomas proceeded to make a speech at an OWIU meeting in which he urged Humble Oil's workers to affiliate with OWIU. In addition, he individually solicited one worker. He was thereupon adjudged in contempt, committed and released on bond. In habeas corpus proceedings the Texas Supreme Court upheld the commitment. But in a five-four decision the United States Supreme Court reversed, holding that Texas had improperly sought to impose a prior restraint on Thomas's right to make a public speech. The case was not concerned with picketing, and from the opinion there is reason to believe that a professional union picketer or solicitor could constitutionally be subjected to the kind of regulation imposed by the Texas statute.

Four things are obvious from these decisions: (1) Picketing has been given enough constitutional sanction, so that a constitutional question would appear to

be involved whenever a state court issues an order which restrains picketing; (2) picketing is not constitutionally privileged under all circumstances; (3) the law as to picketing must now be found in the law of the particular state, read in the light of the principles declared by the Supreme Court; (4) the Supreme Court in a very real sense has taken upon itself the task of providing the rules to be used in refereeing the economic contest between workers and management.

On the merits it does not seem to the writer that the Court's assimilation of picketing to free speech has contributed very helpfully to a development of sound labor relations, whatever may be said as to the aptness of the analogy. The substantial problems in connection with picketing relate to its use for ends which many consider improper, and to its unfortunate tendency to transcend standards of fairness, either by the use of physical force or by its use, as a form of economic coercion rather than mere persuasion, against third persons as a means of forcing their alignment against the employer with whom the union is in dispute. It hardly seems constructive to say that picketing for any and all objectives is now to be beyond restraint simply because courts in the past have misused the "ends-means" test. Unions are no longer in the "infant industry" stage where they require extraordinary privilege. It can reasonably be assumed that they are strong enough now to be able to deal with the forces of reaction wherever they appear. And the Court's own decisions, in qualifying obscurely the constitutional privilege as to situations involving violence or the attempt to "conscript neutrals," have simply made it more difficult for the state legislatures, Congress and the administrative and judicial agencies to work out clear definitions of policy with respect to labor problems. . . .

UNIONISM AND THE FEDERAL ANTI-TRUST LAWS

The year 1940 marks a turning point in the judicial treatment of the Sherman Act as regards unionism. That year witnessed the early stages of an almost complete union victory in a long struggle with the government and employers concerning the applicability of the statute to the activities of organized labor. At one time many, if not most, types of coercive labor practices affecting interstate commerce were thought to be within the act. Today, the careful union can engage in such practices without fear of involvement under the act. This has meant a gain to unions almost equal (indeed, from some points of view, exceeding) in importance the assimilation of picketing to free speech.

The succession of decisions which have rendered the older cases largely of historical interest began with *Apex Hosiery Company v. Leader*, decided in 1940. This was a suit by the Apex Company against a union and its officers to recover treble damages under the Sherman Act for losses suffered on account of a "sit-down" strike at Plaintiff's hosiery manufacturing plant. A verdict for \$237,310 damages was obtained and judgment was entered for \$711,932.55. The circuit court of appeals reversed on the ground that interstate commerce was not substantially involved. This decision was affirmed by a divided Supreme Court, but on the different and portentous ground that the restraints on commerce inherent in strike action are not within the act unless they are intended to have, or in fact have, effects on competition in the form of market control of a commodity which would "monopolize the supply, control its price, or discriminate between its would-be purchasers."

The opinion of the Court, written by the late Chief Justice Stone, raised many

provocative and vexing questions, which would be worthy of discussion in any survey of the law in this field but for the startling decision handed down in 1941 in *United States v. Hutcheson*. In that case the government, pursuant to Thurman Arnold's carefully considered anti-trust program, had indicted four officers of the United Brotherhood of Carpenters and Joiners of America under the Sherman Act as a result of strike and other action taken by the Carpenters' Union in a jurisdictional fight with the Machinists' Union which involved the St. Louis plant of Anheuser-Busch, Inc., and the adjacent premises of one of the company's lessees. The Court, in a now famous opinion by Justice Frankfurter, affirmed a district court decision sustaining demurrers to the indictment, on the ground that the Sherman, Clayton and Norris-LaGuardia acts must be read as a "harmonizing text of outlawry of labor conduct," and that the labor conduct there involved was not prohibited on such a reading of the statutes.

The case could probably have been disposed of, with the same result, under the principles declared in the *Apex* case. But the moving spirits on the Court were evidently determined to write a new charter of freedom for unionism, regardless of precedent, and in order to do so engaged in a species of statutory "construction" which came as near as may be to the actual making of a new anti-trust law (or more accurately the repeal of an old law) for labor activities. Granting the underlying premise that unions should be substantially free of Sherman Act restrictions, the method employed by Justice Frankfurter was a monument to judicial ingenuity. The reasoning was as follows: The labor activities in question were of the categories expressly immunized from Sherman Act prosecution under section 20 of the Clayton Act, even though directed primarily toward settlement of an

inter-union dispute; defendants were not precluded from invoking section 20 because "outsiders to the dispute also shared in the conduct"; since, with the broad definition of "labor dispute" contained in the Norris-LaGuardia Act Congress served notice that it disapproved of the narrow definition of the term earlier declared in the *Duplex* case which involved the Clayton Act; since, therefore, equitable relief at common law could not have been obtained in the federal courts, in view of the restrictions imposed by the Norris Act, "hospitable scope" should be given to Congressional purpose by rejecting criminal liability under the Sherman Act.

The decision was essentially negative in its approach. It defined the kinds of labor activities which are *not* within the Sherman Act, and in so doing it drastically recast the law. Union activities are not to be held within the act simply because they directly involve interstate commerce, as under the traditional view, or even because they are intended to, or do, in fact, affect prices and markets, as under the test announced in the *Apex* case. Whatever their effect on interstate commerce, prices or markets, they are not to be held within the act if they are taken in connection with a "labor dispute," as broadly defined in section 13 of the Norris Act, and if they are within the categories protected by section 20 of the Clayton Act (or, presumably, by section 4 of the Norris Act). Speaking generally, these categories include all ordinary, non-violent forms of union action—the strike; picketing, solicitation, the boycott.

Under a strict application of section 13 of the Norris Act, there is no room for inquiry into the purposes of union action, as Justice Frankfurter who sponsored that act must have been aware. Hence it followed from the *Hutcheson* decision that Mr. Arnold's program for using the Sher-

man Act to eradicate "uneconomic" union conduct was rendered impossible of fulfillment, except, possibly, under a somewhat illogical qualification suggested by the Justice for the situation where labor combines with non-labor groups. Except for this suggestion, the area within which the act might still be permitted to operate was left obscure by the *Hutcheson* decision. It was scarcely to be inferred that the Court, by converse reasoning, would hold that union conduct violates the Sherman Act in any case where it remains subject to equitable restraint under the Norris Act. Any such holding would mean that amenability to the Sherman Act would depend primarily on the nature of the conduct, e.g., whether violent or non-violent, and the act would become simply a means of "policing interstate commerce," which, according to firmly established doctrine, it was not intended to be. Possibly the answer is that when union conduct, because of its character, cannot find immunity under the rules announced in the *Hutcheson* case, the test as to liability is to be found in the principles announced in the *Apex* case. This, however, would yield the curious result that peaceful conduct aimed directly at price or commodity control is not within the act, but violent action to the same end is.

The situation in the electrical equipment industry in the New York City area soon provided an opportunity to test the scope of the *Hutcheson* decision. A local of the IBEW, which had jurisdiction only in the metropolitan New York area, and admitted to membership workers employed by electrical equipment manufacturers and workers employed by electrical contractors, had for years worked toward the usual union goals of higher wages, shorter hours and enlarged employment opportunities. Its efforts, though conventional union methods, had resulted

in agreements with a steadily increasing number of employers, which not only were "closed shop" in the usual sense, but also obligated the employer to deal only with manufacturers or contractors who also had closed shop agreements with the Local. These individual agreements were gradually expanded into industry-wide understandings, "looking not merely to terms and conditions of employment but also to price and market control." The three groups—manufacturers, contractors and labor—collaborated to police the agreements. As a result, the business of the local manufacturers had a "phenomenal growth." Jobs for members of the Local increased, wages went up, hours were shortened, and the price of locally produced equipment soared. It was a most happy situation for all concerned—for all, that is, except consumers who "paid the piper," and producers outside the New York City area who found themselves excluded from the New York market.

The plaintiffs in the case were outside manufacturers. They sought and obtained an injunction prohibiting the Local and certain of its officers from engaging in a wide range of specified activities as in violation of the Sherman Act. The circuit court of appeals reversed, on the theory that since the case involved a "labor dispute," and the agreement grew out of labor action privileged under the Clayton and Norris Acts, immunity was granted by the rule of the *Hutcheson* case. The Supreme Court, however, held otherwise. The Court conceded the existence of a "labor dispute," but concluded that because, and only because, the Union had here collaborated with employer groups, it ran afoul of the Sherman Act. Directions were issued to reinstate the injunction, but in modified form, so as only to enjoin the prohibited activities when engaged in combination with a non-labor group. . . .

Finally should be mentioned the case of *Hunt v. Crumboch*, also decided in 1945. Plaintiff firm had for fourteen years prior to 1939 engaged in contract motor truck hauling for the Great Atlantic and Pacific Tea Company, principally in interstate commerce. Defendant AFL Drivers and Helpers Union in 1937 called a strike to enforce the closed shop upon A & P truckers and haulers. Plaintiff refused to accede, much violence occurred in which one of the Union men was killed, and A & P finally yielded, whereupon A & P cancelled its contract with plaintiff, at the Union's instigation. Because of the Union's refusal to admit plaintiff's employees to membership, plaintiff was unable to obtain any further hauling contracts in Philadelphia. Plaintiff sought an injunction and damages under the Sherman Act, was unsuccessful in the lower courts, and this result was affirmed by the Supreme Court. "It is not a violation of the Sherman Act for laborers in combination to refuse to work." The act "does not purport to afford remedies for all torts committed by or against persons engaged in interstate commerce." The *Apex, Huteson* and *Allen-Bradley* cases were all cited in support of the result. The hoary principle was reasserted that the Sherman Act was not enacted to provide for the mere policing of interstate commerce.

This substantial freeing of labor organizations from control under the federal anti-trust laws is, of course, simply an application of the current "hands-off the union" policy of the national government. Whether this is good or bad policy, it is at least clear that it has not been dictated by anything explicit in the Sherman or Clayton Acts. The concept that conduct privileged by the Norris Act against injunctive action should carry by implication a privilege against Sherman Act liability in any form has a surface plausibility, but cannot be said to be sup-

ported by any clear indication that Congress so intended. Had the Court been of a mind to do so, it could as easily have used the recent grist of cases as a base upon which to construct a rational program of federal restriction of certain kinds of union activities which are inconsistent with the notion of a free and developing economy. Such a program could have left the unions free to achieve every proper objective, while recognizing that unions are as capable as other groups of injecting into the economic system rigidities which even the friends of labor conceive to be harmful to the social interest.

THE LABOR RELATIONS ACTS

We have already cited the National Labor Relations Act of 1935 as one of the important labor gains attributable to its effluent political power. A year previously, important amendments to the Railway Labor Act of 1926 had been obtained. These statutes have had as their practical objective the development of strong, independent unions, and as their legal justification the freeing of the channels of commerce from obstructions due to labor strife arising out of employer interference with the development of independent unionism. The federal pattern was soon emulated by a number of states. General familiarity with these statutes is assumed.

The period under review was one in which the administration and application of the labor relations acts could be given aggressive attention. Constitutional obstacles had been cleared away by a sympathetic Court, and the way had been paved for delivering the full impact of the legislation upon the economy. The administrative boards and the courts have, together, decided thousands of cases involving the acts. We cannot here review these decisions in detail, or even attempt to summarize them. We can only indicate

some of the more important or interesting trends and decisions. . . .

SCOPE AND COVERAGE OF THE ACTS

From the beginning the National Labor Relations Board (NLRB) has taken a broad position as to the coverage of the NLRA. It stated in its *First Annual Report* that "... The Board's jurisdiction is coextensive with congressional power to legislate under the commerce clause of the constitution . . .," and it has proceeded accordingly, receiving, in the main, ample support from the courts. A series of important Supreme Court decisions, antedating the period under review here, and beginning with the *Jones and Laughlin* case, laid the foundation for a broad application of the act to the extractive and manufacturing industries, the instrumentalities of interstate commerce, and to local industries engaged in performing services for industries subject to the act. . . .

Perhaps the most significant development in respect of scope and coverage during recent years has been the treatment of the foreman question. The problem is to what extent, if at all, supervisory groups are to be accorded the rights of employees under the acts. It is now settled by the highest judicial authority that the employer may be held to account for the conduct of supervisors in answering unfair labor practice charges under the NLRA even though such conduct has not been specifically authorized or ratified. On the other hand, it has been held with some judicial support that at least lower level supervisors are protected against acts of discrimination under section 8(3) on the ground that they are within the definition of "employee." The next question is whether, as employees protected in some respects under the acts, supervisors have bargaining rights, and, if so, in what form of bargaining unit.

This question was not crucial in the

early years of the NLRB, since, generally speaking, the unions then active before the board were not interested in supervisory employees—indeed, usually desired not to represent them. Hence, they were as a rule excluded from bargaining units of non-supervisory employees as a matter of course. This process left them substantially shorn of the benefits of the act, and it was not long before the board was presented with a demand by supervisors for separate recognition under section 9(b). In the *Union Collieries and Godchaux Sugars* cases, each decided in 1942, a board majority consisting of Chairman Millis and Member Leiserson, with Member Reilly dissenting, rather easily concluded that they were entitled to such recognition.

By May, 1943, there had been a change of board membership, and in the *Maryland Drydock* case Member Reilly was able to gain the support of the new incumbent, Mr. Houston, and "reexamine the legal premise" of the previous decisions. The result was to rule that supervisory employees, even though "employees" within the definition in the act, may not constitute appropriate bargaining units. So matters stood until, in the *Packard Motor* case, in March, 1945, the problem was re-reviewed, and a board majority consisting of Members Millis and Houston held that Packard foremen constituted an appropriate bargaining unit and should be given the opportunity to vote for representation by the Foreman's Association of America, an independent union. Finally, in the *Jones and Laughlin* case, a year later, the cycle was rounded out and it was held that supervisory employees could be represented by a union which was affiliated with another union representing production employees. The board thus returned to the position which it had originally taken in the *Godchaux Sugars* case in 1942.

The principles thus declared have yet to be fully tested in the courts. They do not mean that all supervisory employees are to be accorded the rights of "employees" under the act. At some point in the hierarchy a line must necessarily be drawn above which persons employed by the employing entity will be considered solely as part of management for labor relations purposes. Below this point, according to the board's present philosophy, persons may be representatives of management for some labor relations purposes, yet be entitled to collective bargaining and associated rights in dealing with their superiors as to their own terms and conditions of employment. . . .

UNFAIR EMPLOYER LABOR PRACTICES

The labor relations acts seek to achieve the development of strong, independent unionism by granting employees the right, free of employer restraint, to join unions and to bargain collectively. The NLRA and its state counterparts denominate proscribed employer conduct as "unfair labor practices." The RLA, without using this nomenclature, covers essentially the same ground. Again, familiarity with the legislative pattern and with the general principles which have been developed in the administration of the acts is assumed. Only certain of the more significant or interesting developments of the past five years will be mentioned here.

a. *Interference: general.* Section 8(1) of the NLRA, and its counterpart in the RLA and the state acts, make unlawful in general terms employer acts which interfere with freedom of the employee to affiliate with labor organizations and to bargain collectively. It is obvious that a very wide range of activities may come within these provisions, and so it has been held. The cruder forms of anti-union conduct had largely given way, even before the NLRA was adopted, to more

subtle anti-union tactics. Of late the agencies and the courts have been increasingly concerned with these, and with certain refinements in the detailed application of the principle of non-interference. . . .

Perhaps the most noteworthy development in the application of the general prohibitions of the statutes has been with respect to the right of the employer to make anti-union statements. From the beginning the NLRB has taken the position that employer statements which are "coercive" are unfair labor practices, and beyond the protection of the First Amendment. A coercive effect was found to exist in practically every instance, either due to the nature of the statements, themselves, or where made in a context of other anti-union acts. The underlying premise was that almost any expression of opinion of unionism by the employer, or by those representing him, was bound to have an intimidating effect because of the peculiar position of economic dominance held by the employer *vis-à-vis* the employee. And some support for this view is to be found in early lower court decisions.

The period under review has witnessed a rather half-hearted effort by the Supreme Court to circumscribe the board in its somewhat cavalier treatment of this problem. In the *Virginia Electric and Power Co.* case the board had found that the company in posting certain bulletins and sponsoring certain speeches to employees by company officials had violated the act. The Court directed a remand of the case to the board. Its view was that "Neither the Act nor the Board's order here enjoins the employer from expressing its view on labor policies or problems . . ." but that "conduct, though evidenced in part by speech, may amount in connection with other circumstances to coercion within the meaning of the Act." . . .

After the remand the board proceeded,

in the light of Justice Murphy's opinion, to reconsider the case. It came through with the same conclusion as to domination of the independent union, but, while still stressing the bulletin and the speeches, considered them "not in isolation but as part of a pattern of events adding up to the conclusion of domination and interference." It nevertheless found that, as integral parts of such pattern of events, they restrained and coerced employees in the exercise of the rights guaranteed in section 7 of the act. This time its order, which, insofar as section 8(1) was concerned, was the same as before, and couched in general terms, was upheld by the circuit court and was not challenged as to this point in the Supreme Court. . . .

The decision has been taken to mean . . . that the board may not legally predicate a cease and desist order simply on isolated employer expressions of view unless they are per se coercive. The employer's position of economic dominance should not of itself under this view be held to import an illegally coercive quality to his statements, even though their tenor is anti-union.

b. *Domination of labor organizations.* Section 8(2) of the NLRA, and its counterparts in the RLA and in state legislation, make it unlawful for the employer to dominate or interfere with the formation or administration of, or to give financial or other support to, any labor organization. This is the legislative answer to the problem of the "company union," which has been a major impediment to the development of independent unionism ever since Bethlehem Steel, on the advice of Mr. MacKenzie King, introduced in this country the "Plan of Employees Representation." Apart from the inevitable questions of fact which must arise in determining whether the illicit employer-union relationship exists in a given case, the problems most frequently recurring

have had to do with the remedy to be provided once the fact has been found. . . .

How much, if anything, more is necessary than a clear and open disavowal by the employer of any intention to support a dominated union, plus a refusal of further recognition of such union, is not clear from the cases. Apparently, however, there must as a practical matter be a dissolution as well as disestablishment of the dominated union, and a sufficient hiatus must follow to give employees an opportunity for a free and uninfluenced choice of a new bargaining representative. The recent history of company (unaffiliated) unionism does not suggest that it can thrive without active employer support, at least in the face of competition from affiliated unions. It seems clear that the era of company unions has ended; a circumstance not to be deplored if one accepts the inevitability and desirability of free and strong unionism in this country.

c. *Discrimination.* Section 8(3) of the NLRA prohibits "discrimination in regard to hire or tenure of employment or any term of condition of employment to encourage or discourage membership in any labor organization." The RLA and the state statutes contain like provisions. An interesting and important development in the application of the NLRA provision occurred in 1941 in *Phelps Dodge Corporation v. NLRB*, wherein it was held that the duty of non-discrimination applies at the hiring stage as well as thereafter. The decision was clearly proper, as all of the participating justices agreed. If an employer could "stack the cards" by rejecting all applicants for employment having union sympathies, the purposes of the act could not well be achieved. . . .

d. *The duty to bargain collectively.* All of the labor relations acts postulate collective bargaining as the great desideratum, on the basis of which sound industrial

peace is finally to be achieved. The legal duty to bargain received early and vigorous attention on the part of the agencies and the courts, as a result of which the nature of the obligation, and the routine required mechanics of the bargaining process were fairly elucidated prior to 1940. The period since, however, has brought forward some interesting problems in the refinement of the obligation.

One of these is with respect to "grievances," and the manner of their treatment. In industry parlance the term "grievances" refers to complaints made as to the interpretation or application of a collective agreement, as distinguished from issues presented in connection with the original negotiation of the agreement. The NLRA reserves to employees the right to present their grievances directly to management, by way of qualification of the duty imposed on the employer to deal exclusively with the bargaining agent. The RLA provides that grievances shall be handled "in the usual manner" within the company, and provides for ultimate appeal by either party to the dispute to a special statutory tribunal. Is the employer by virtue of these provisions freed of any obligation to deal with the bargaining agent whenever an individual employee chooses to by-pass the union? Does the individual employee have a statutory right to deal directly with the employer, or may the employer, if he is willing, agree with the union on an exclusive union grievance procedure? The answers are not clear from the statutes.

The problem arises, no doubt, from a failure on the part of Congress to appreciate the nature of collective bargaining, which involves more than the original negotiation of the contract. The NLRB is clearly right in its view that the collective interest is involved in the day-to-day administration of the agreement. This interest can be safeguarded only if the union

has an opportunity to participate in the settlement of grievances. . . .

One other matter made clear in recent Supreme Court decisions is that if an employer refuses to deal with a union which has acquired bargaining rights under a labor relations act, or otherwise violates his obligations under such act, and the union thereupon suffers a decline in membership until it no longer represents the necessary majority, the duty to bargain still subsists. . . .

The initial goal of every labor organization which sets out to organize a group of employees protected by one of the labor relations acts is, of course, to achieve the status of duly accredited bargaining representative. When two or more unions compete for some or all of such employees, the function of the administrative agency entrusted with the duty of resolving the representation question becomes highly important. Wide discretionary powers are conferred on the agencies with respect to the determination of the appropriate bargaining unit, a determination which often is critical and may involve the life or death of a particular union insofar as the plant is concerned. . . .

e. *Relation of federal and state legislation.* Important questions have arisen in recent years as to the extent to which the NLRA leaves the states free to adopt measures designed to restrict, repress or otherwise regulate unions. The states, with their divergent interests and points of view, are important laboratories for social experimentation. The question is how far they may go in the field of labor relations. The Wagner Act does not by its terms preempt the field, but it does grant employees an unqualified right to unionize and bargain collectively, and any state action imposing procedural or substantive limitations on collective bargaining is arguably inconsistent with the paramount policy expressed by Congress. . . .

f. *Fiduciary responsibility of unions.* Mention has been made earlier of the duty imposed on unions and employers not to use closed shop provisions so as to deprive employees unfairly of their freedom to express their preference with respect to unions. In the *Wallace* case, which involved this principle, Justice Black for the Court observed that the union, by its selection as bargaining representative, "has become the agent of all the employees, charged with the responsibility of representing their interests fairly and impartially." The same principle was applied in *Steele v. Louisville and Nashville Railroad Company* and *Tunstall v. Brotherhood of Locomotive Firemen and Enginemen*, decided on the same day as the *Wallace* case, in which it was held that the Brotherhood of Locomotive Firemen and Enginemen, which was exclusive bargaining representative for the craft of firemen and, as such, statutory representative of Negro firemen who were not eligible to union membership, had unlawfully discriminated against such firemen in negotiating terms and conditions of employment.

These decisions were based on the proposition that Congress in granting the bargaining agent the exclusive right to represent all employees in the bargaining unit, whether or not members of the union, must have intended that this power be exercised with due regard for the interests of all elements of the group represented. The principle is completely sound, and is really but an application of concepts of fiduciary responsibility well established in other areas of the law. The administration of the rule, however, presents difficult problems for the employer. He must perforce deal with the accredited union. He must now have in mind that the agreement which he has made with the union, and which he perhaps had to make because of union pressure, may be

held to involve discrimination against minority groups with resulting legal liability. . . .

OTHER AREAS OF LABOR LAW

Space does not permit treatment at this time of recent developments in other areas of labor law, important as they may be. The Fair Labor Standards Act, for example, has occupied perhaps more than its fair share of the attention of the courts in recent years. A classification of the cases would probably show that questions of scope and coverage have appeared in greatest number, although some very interesting and important questions of construction of the act have also been presented. As in the case of the labor relations acts the tendency has been to give the FLSA a very broad application in order to achieve the "broad humanitarian purposes" of the act.

The war emergency brought in its wake tremendous problems of mobilization of all the resources of the nation, including manpower for essential production. Labor problems, already important on the national scene, became of critical importance. The reader is no doubt generally familiar with the measures taken by the government to provide for the equitable adjustment of labor disputes, the elimination of strikes and other forms of work stoppage and the control of wage levels. The program was based on an early so-called "agreement" on the part of labor, industry and the government that, for the duration, the use of the strike should be suspended, and, in lieu thereof, disputes should be settled on their merits. Departing from the pattern established by President Wilson in the first World War, however, the parties did not proceed to agree on a set of principles to be applied in the settlement of disputes. President Roosevelt's War Labor Board, therefore, had to devise its own standards with but little

guidance even from the President's various executive orders and with no help from Congress.

During the war period a tremendous number of cases was decided by the National War Labor Board, in the course of which many interesting "patterns" of decision came to be established, all by an agency whose decisions were held to be merely "advisory" but which, with the backing of executive sanctions at least as efficacious as ordinary judicial remedies, succeeded in obtaining general observance

of its "directive orders." Perhaps the most interesting questions with respect to the whole program at this point are whether the decisional patterns developed by the board which now permeate the fabric of labor relations will continue to be accepted as standards, and whether the wartime experience with compulsory settlement of labor disputes will serve to strengthen the demand for the elimination of labor warfare in peacetime and to suggest a procedure for achieving such objective.

26. Government Participation and Control

HOW MUCH should the government intervene in industrial relations? This question has been raised more forcefully since Pearl Harbor than at any prior time. Since then, both in war and in peace, government penetration into labor-management relations has been substantially greater than ever before.

The War Labor Board exercised the power of compulsory arbitration during World War II. This was the first nation-wide experience with compulsory adjudication of industrial disputes in American history. The board also administered the wage-stabilization program. The settling of disputes and the stabilizing of wages, however, did not always ideally call for the same treatment of the case. The board did, however, dispose of the vast majority of its cases without compliance problems, and quite effectively stabilized wage rates. The internal operations of the board to some extent reflect the wartime situation, but also illustrate the problems of compulsory arbitration in the absence of accepted rules and precedents, and the "pushing and pulling" in the operation of a tripartite tribunal.

At the conclusion of the war important labor disputes arose in the oil, automobile, steel, meat-packing, railroad, and other industries. Mostly they were over wage adjustments in the reconversion period. About a dozen fact-finding boards were appointed to handle these disputes, and they were the favored method when a critical controversy broke out or was threatened. The theory behind these boards, which had the power to make recommendations, was threefold. (1) The method stopped short of ultimate compulsion. While recommendations were made, the parties were free to accept or reject them, subject only to the pressure of public opinion. (2) Each board was appointed on an *ad hoc* basis. It could direct its attention to the problems of the specific case and the history of the dealings of the parties. It was not bound by earlier precedents or general rules or policies, as permanent agencies would have been. (3) No party could count on the appointment of a board. Primary reliance had to be placed on collective bargaining. There was no assurance in advance that the parties could take their troubles to such a board if negotiations were not successful. It did the minimum to break down negotiations between the parties, as might happen if a standing board existed to which the parties could run with their troubles.

The fact-finding boards were criticized primarily because they became instruments for developing federal wage-price policy, rather than solely tribunals for the adjudication of private disputes. This occurred because wage and price controls were still in operation. The greatest prior use of fact-finding boards had been in the railroad industry. There primary disputes were processed through the four steps of negotiation, mediation, the offer of voluntary arbitration, and compulsory investigation or fact finding; and secondary disputes through negotiations to compulsory arbitration. The success of this system in the railroad industry encouraged recurrent suggestions that it be applied to other essential industries.

The Labor-Management Relations Act of 1947 opened a new era of industrial relations. It had five general effects on collective bargaining. (1) It restricted the area of collective bargaining. The parties could no longer, for example, agree on the closed shop, or certain kinds of checkoff, health and welfare funds, or royalty payments. (2) It entered the internal life of trade unions by providing for new types of elections, and for accounting for funds, among other matters. It was also directed at bringing officials who were Communists to the attention of the membership and the public. (3) The act limited the use of certain techniques through which the trade unions built up power. It prohibited the secondary boycott, restricted participation in politics, and banned certain types of health and welfare funds. (4) It provided for greater government intervention in disputes affecting the national welfare by providing for injunctions, cooling-off periods, and the fact-finding panels without power to make recommendations. It prohibited jurisdictional disputes and provided for court enforcement of contracts. (5) It restricted the degree of security which the unions could obtain.

The act aroused a great controversy not unlike that after the passage of the National Labor Relations Act in 1935, only the attacks came from the opposite side. A second result was the intensification of political activity by both the CIO and AFL. It provided somewhat the same stimulus as the Labor Disputes Act of 1927 in Great Britain. Two major questions were what effects it would have in the event of a depression, and what its consequences would be on union security and responsibility. Full employment characterized the period when the act was passed, and the unions were comparatively strong economically. If a depression were to reduce their membership and strength, what would be the effect on them? It also remained to be seen whether less secure unions would in fact be more responsible organizations with which to deal, or whether lack of authority to discipline dissident groups or to prevent infiltration by rival unions would encourage irresponsibility. In its ultimate implications for unions, workers, management, the government, and the public, the act might match the National Labor Relations Act of 1935. The two acts taken together embarked the nation on a new course in the field of industrial relations.

The rapid development of governmental control paralleling the spread of unionism and collective bargaining, although following with a comparatively short time lag, raises the question whether unions and collective bargaining can only be fully

free when unimportant. The price of expansion may be the loss of freedom. As with so many other institutions—the banking system, the stock exchange, the public-utility holding company, the monopoly—the accumulation of influence may be partly matched by the imposition of controls.

In 1932 union strength was largely limited to rail and truck transportation, building and printing trades, garment manufacturing, coal mining, and a few other industries. By the end of World War II it spread into steel, rubber, textiles, meat packing, lumber, and nearly every other branch of manufacturing. Membership had grown from three to fifteen million. In 1932, except for the railroads, the unions dealt almost solely with small enterprise. They have come since to bargain with the industrial giants as well. The area of potential or actual conflict has thus been greatly extended, and also intensified when Big Labor has met Big Industry. The impact of controversies on the public has increased faster than the rise in union membership.

When the public has been affected in the past, as in railroad and coal strikes, government has stepped in with legislation or judicial or administrative intervention. This interference was directed toward specific problems, situations, or areas. As collective bargaining has become more general, so also has the imposition of control—from the railroads to all of industry.

The purpose of government is in part to resolve conflict in society, or, failing that, to control it. As conflict spreads, government interference tends to spread as well. The organizing strikes of the 1930's brought the National Labor Relations Act; the war and postwar strikes of the 1940's, the Labor Management Relations Act. Between them they have introduced a greater peacetime penetration of the Federal government into economic affairs than any other two single pieces of legislation.

WILLIAM M. LEISERSON¹

The Role of Government in Industrial Relations

The great obstacle to orderly development of public policy with respect to industrial relations is the tendency of each

¹ William M. Leiserson, "The Role of Government in Industrial Relations," *Industrial Disputes and the Public Interest*, Institute of Industrial Relations, University of California, 1947.

generation to consider its labor problems unique. There is a general impression, for example, that active government participation in labor relations began with the New Deal laws protecting union organization and encouraging collective bargaining. And the more ardent New Dealers have been inclined to think labor history began in 1933. As a matter of fact, labor relations have been controlled by law and government in this country since the beginning of our history. Nevertheless, recurring periods of labor turmoil and widespread strikes continue to succeed each other over the years, and each generation

repeats the cry for something that will "really solve" the labor problem.

Our concern being the relations of free workers and free employers, I propose to begin the discussion with a text from the prophet of free, private enterprise, Adam Smith. I read from Book I, Chapter VIII, of *The Wealth of Nations*:

"We rarely hear, . . . of the combinations of masters, though frequently of those of workmen. But whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and everywhere in a sort of tacit, but constant and uniform combination, not to raise the wages of labour. . . . To violate this combination is everywhere a most unpopular action, and a sort of reproach to a master among his neighbours and equals. . . . Masters too sometimes enter into particular combinations to sink the wages of labour. . . .

"Such combinations, however, are frequently resisted by a contrary defensive combination of the workmen; who sometimes, too, without any provocation of this kind, combine of their own accord to raise the price of their labour. Their usual pretenses are sometimes the high price of provisions; sometimes the great profit which their masters make by their work. But whether their combinations be offensive or defensive, they are, always abundantly heard of. In order to bring the point to a speedy decision, they have always recourse to the loudest clamour, and sometimes to the most shocking violence and outrage. They are desperate, and act . . . [to] . . . frighten their masters into an immediate compliance with their demands.

"The masters upon these occasions are just as clamorous upon the other side and never cease to call aloud for the assistance of the civil magistrate, and the rigorous execution of those laws which have been

enacted with so much severity against combinations of . . . labourers and journeymen . . ."

That sounds pretty modern.

Apparently people were fighting the same devils when the good book was published in 1776 that we are fighting today. Though writing in England, Smith described as well the labor relations that prevailed in the United States and the role the government has played in them down to recent times. Today many employers think the situation has been reversed. The law, they say, especially the National Labor Relations Act, bears with greatest severity on them rather than on the laborers; and the magistrates' hands have been tied by the Norris-LaGuardia Act. But they still do not cease to call aloud for the assistance of the government, only now their clamorous cries are directed to the Congress rather than to the magistrates.

Like Adam Smith, however, we must not be misled by the clamor of those who have been masters. The picture is not as dark as they paint it. No employer has gone to jail for violating the Labor Relations Act, but workers are still going to jail for their "unfair labor practices,"—for disorderly conduct in connection with strikes, for mass picketing, as well as for the violence they resort to in desperate efforts to bring their disputes to a speedy decision.

To understand what really has happened to our industrial relations in recent years, we need to look back at least a hundred years. During the first quarter of the 19th century property qualifications for voting were abolished and manhood suffrage established in most of our states. This fact probably has more to do with our present labor troubles than most of the other causes we ascribe them to. It brought relaxation of the laws against combinations of working people, and soon

led to legalizing of unions and of the right to strike. Certainly public control of industrial relations today is primarily conditioned by the fact that Labor has votes, and has learned how to use them.

Legalizing unions and strikes was helpful to wage-earners, but largely ineffective in safeguarding their interests, so long as employers had the equal right to destroy their unions, to refuse to deal with them, to discharge or discriminate against employees for talking unionism. It was the votes of workers, aided by the support of the general public which sympathized with their cause, that changed this condition by laws designed to equalize their rights and bargaining strength with those of industrial managements.

But like most remedies for social ills, this remedy has created new problems equally serious. Although many workers and unions are still weak in relation to their employers, some unions have so grown in power that they are in a position to dictate terms of employment, and they have demonstrated their ability to shut down whole industries like coal and steel, transportation and other public services. . . .

When Congress adopted the Labor Relations Act in 1935, it laid the foundation for a national labor policy that was at once a wage policy and a policy of governing labor relations. It chose to avoid government setting of rates of pay and other details of employment contracts. It sought instead to equalize bargaining power between industrial managements and their labor forces, and leave them free to agree on terms by the process of collective bargaining. Congress recognized that individual bargaining meant, in effect, management dictation of terms of employment. By eliminating employers' unfair labor practices, it tried to establish what the law refers to as "actual liberty of contract," and thus avoid also

dictation by government officials. Wages and working rules would be determined by collective agreement and mutual consent.

That the Act has been eminently successful in accomplishing its immediate objectives is obvious. The bargaining power of workers has been enormously increased by encouraging and protecting union organization; and all the major industries now recognize and deal with unions. But the collective bargaining policy was adopted not because freedom to organize and equality in negotiating labor contracts were regarded as ends in themselves. The underlying idea was that the public interest in industrial peace and justice in labor relations would be furthered by such a policy. This is made plain by Section 1 of the Act which recites that the practice of collective bargaining is necessary for the following among other reasons: (1) to remove "certain recognized sources of industrial strife and unrest"; (2) to stabilize competitive wage rates and working conditions; (3) to secure "friendly adjustment of industrial disputes arising out of differences as to wages, hours, and working conditions."

But what happened to these larger purposes? Apparently the policy in this respect worked to ends opposite of those intended. Certainly work-stoppages did not become less frequent, and the attitudes of management and labor less bitter and more friendly. Perhaps the explanation is that no provision was made for dealing with the problems that would arise when collective bargaining ends in disagreement. The law compels bargaining, but not agreement. Its requirements are satisfied when the Labor Relations Board succeeds in joining managers and workers in a vow to bargain collectively. Was the assumption that they would live happily ever after?

A. G. TAYLOR¹

Governmental Intervention

When industry fails in its voluntary attempt to preserve industrial peace, the public will demand governmental intervention. . . .

Mediation through the Department of Labor. In addition to state legislation for the purpose of maintaining industrial peace, Federal legislation has been directed toward a similar end. In establishing the Department of Labor in 1913, by divorcing Commerce and Labor, Congress provided that the Secretary of Labor should appoint mediators for labor disputes "whenever in his judgment such action is desirable." Consequently there was organized a so-called Division of Conciliation, which was to concern itself with industrial disputes arising in industries other than those connected with interstate commerce. The Division does not as a rule intervene in disputes unless requested to do so by one of the contending parties, and it has no power to compel settlement. The services of mediation represent the extent of the Department's power, for it operates in disputes over which the Federal Government has no mandatory jurisdiction. In spite of its inability to compel disputing parties to confer with the Division's representatives, the service has been so successful that it is not only supported in general by both capital and labor, but is recognized as the most important agency of mediation in the country. . . .

Mediation and voluntary arbitration in interstate commerce. Through a series of

acts extending from 1888 to 1936, the Federal Government has attempted to use its power to regulate interstate commerce in the settlement of disputes arising in the railway industry of the country. . . .

The Watson-Parker Act (of 1926) provided the basis for the Norris-LaGuardia Act of 1932, Section 7(a) of the National Industrial Recovery Act of 1933, and the National Labor Relations Act of 1935, insofar as these acts safeguarded collective bargaining and outlawed company-dominated unions or the making of contracts which constituted "interference or coercion" exercised by the employer over the "self-organization" of his workers. That the Watson-Parker Act constitutionally outlawed company unions if they were dominated and controlled by the railroad is supported in the decision of the United States Supreme Court in the Texas and New Orleans Railway case. The present system of handling labor disputes on the railroads is based upon the Watson-Parker Act, with notable changes added in supplementary acts of 1934 and 1936. The amendatory statute of 1934 elaborates the provisions of the Act of 1926 by setting up two boards to take the place of the old mediation board—one, the National Railroad Adjustment Board, to settle disputes involving agreements covering wages, hours, and working conditions; another, the National Mediation Board, to handle disputes arising over attempts to draw up new agreements.

The National Railroad Adjustment Board consists of thirty-six members half selected by the carriers and half by labor organizations. The large board operates through five subdivisions having jurisdiction over disputes of designated craft groups of railway workers. An amending Act of 1936 extended the coverage of the Act of 1934 to common carriers by air and carriers transporting air mail, and at the same time authorized the establish-

¹ Reprinted by permission from A. G. Taylor, *Labor Problems and Labor Law*, copyright 1938 by Prentice-Hall, Inc., New York, pp. 567-68, 577-78, 579-80, 583-85.

ment of an adjustment board for air transport.

The Railway Labor Act as amended in 1934 and 1936 lays down three major steps to be followed in the process of making and maintaining agreements. The first is direct negotiation between representatives of the employees and the representatives of the railroads. If the issues cannot be adjusted through conciliatory methods, either or both parties may invoke the services of the National Mediation Board; or the Board, of its own accord, may proffer its services to mediate. In any case, both sides are bound to keep the peace and change no conditions involved in the dispute. The third step in the making and maintenance of labor agreements involves arbitration. If both conciliation and mediation fail, both parties may agree to arbitrate their differences. The award under those circumstances is final and binding. If the National Mediation Board is unsuccessful in bringing about arbitration, then both parties to the dispute are relieved of any obligations under the law. If, however, an act of either of the belligerent parties threatens to interrupt commerce and deprive a part of the country of essential transportation service, the National Mediation Board is to notify the President, who may, at his discretion, appoint a special fact-finding or emergency board. The emergency board must report the facts regarding the dispute to the President within thirty days. During these thirty days and for thirty days thereafter no change, except by agreement, may be made by the parties to the controversy in the conditions out of which the dispute arose. At this point the weakness of the Act appears, for in case no settlement is arrived at through the process of investigation, the law does not compel the conflicting parties to settle their differences. The Act is distinguished by its lack of legal compulsion; its main

reliance, if the disputants fail to reach an agreement, is upon the pressure of public opinion formulated through the published reports of an impartial emergency board of investigation.

The National Railroad Adjustment Board handles all disputes growing out of individual grievances or out of the interpretation of trade agreements. If, for example, a man has a wage claim or feels that he has been improperly discharged, he may refer the matter to the Adjustment Board which consists of an equal number of labor and railroad representatives. In the event of a deadlock on the Board, a neutral may be called in to make a decision. All decisions of the National Railroad Adjustment Board are final and binding.

NATHAN FEINSINGER,
CLARK KERR, and JOHN E. ROE¹

Observations on Fact Finding

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The procedure of voluntary *arbitration* terminating in a final and binding award, is now quite generally accepted by Ameri-

¹ United States Department of Labor, "Report and Recommendations of the Fact Finding Board, Appointed by Order of The Secretary of Labor on August 7, 1946, in the dispute between The Milwaukee Gas Light Company and Local 18, United Gas, Coke, and Chemical Workers of America (CIO)."

can labor and management as a supplement to the collective bargaining process, for the disposition of individual grievances and disputes concerning the *interpretation or application* of completed collective bargaining arrangements. Our system of industrial jurisprudence, however, still lacks an effective procedure for the peaceful and equitable settlement of disputes arising, as in this case, *in the making of the collective bargaining agreement itself*. There is strong resistance on the part of both labor and management to a legislatively imposed system of compulsory arbitration of the terms and conditions of employment to govern the relations of the parties during the contract period. Governmental control over the collective bargaining process was a necessary evil in wartime. That experience, however, demonstrated the essential weakness of a universal system of compulsory governmental arbitration of terms and conditions of employment, namely the inevitable failure in many instances to give proper weight to the collective bargaining history and the current problems unique to particular industries, as well as to the special facts of particular cases.

Voluntary arbitration of terms and conditions of employment, although growing in favor with management and labor in some industries, is not yet by any means a generally accepted pattern and is not likely to become such in the near future. Meanwhile the public interest, as well as the interests of the disputants, requires some equitable and expeditious procedure for the peaceful settlement of disputes in this category as an alternative to the strike, the lockout, and other forms of industrial warfare.

The procedure of fact finding and recommendations by a properly qualified governmental board, while still in an experimental state, in our opinion holds much promise of filling the vacuum. Even

when the parties have not agreed in advance to be bound by the recommendations neither party is likely to assume responsibility for a strike or a lockout thereafter in the face of public opinion which almost invariably supports the recommendations. It is not suggested that this procedure is by any means a panacea or that it will provide a perfect solution in any particular case. But it has the obvious advantages of flexibility, simplicity, and relative speed, and is adapted to take account of the collective bargaining problems unique to particular industries and the special facts of particular cases. This opinion is fortified by the experience of the members of this Board with the technique of fact finding in two cases involving public utilities, a field in which the public has a special interest in the development of alternatives to the strike and lockout. In the *Pacific Gas and Electric* case a strike was avoided by invoking the services of a Fact Finding Board whose recommendations were promptly accepted by both sides. In the *Milwaukee Gas Light* case, a strike was settled again by invoking the services of a Fact Finding Board, under whose guidance a complete settlement was reached of all issues in dispute during the process of the hearings.

If these experiences and similar experiences of other Boards in different industries are any reliable indication, as we believe they are, the procedure of fact finding and recommendations may very well prove to be useful on the broad scale as an effective supplement to collective bargaining, conciliation, mediation, and voluntary arbitration in the peaceful settlement of labor disputes involving the public interest. However, if this technique is to continue to serve a useful purpose it must, as previously indicated, remain flexible and simple in its procedures.

This observation is dramatically illustrated by the procedural history of this

case, stemming from the original agreement of the parties for two boards, one to find the facts and the other to render a decision on the facts as found. It is extremely difficult even in ordinary administrative proceedings to draw a sharp line between the fact finding and recommending or deciding functions. It is even more difficult, and perhaps impossible, to draw such a line in the determination of a labor dispute. Fact finding in a labor dispute involves the determination of what facts are relevant, the choice of criteria or standards for appraising the evidence, and the exercise of expert judgment in making such appraisal, unless the fact finders are to be merely gatherers of statistics. Conversely, it is extremely doubtful whether a Board of Decision or any other agency could proceed with any confidence or efficacy to decide a labor dispute or make a recommendation for its settlement without having heard the evidence and observed the parties in the course of its presentation. In the typical labor dispute, as any arbitrator will testify, attitudes are more important than statistics, and must be taken account of as facts. Attitudes can not easily be communicated through the written record.

The court-jury and court-master situations are not analogous since in those situations the jury or master acts throughout under the instructions and guidance of the court whereas in the proceedings originally contemplated by the parties in this case the court, i.e. the Board of Decision, would not even come into existence until the Fact Finding Board had completed its work.

The initial hearings in this proceeding developed a sharp cleavage of views between counsel for the parties as to the proper division of functions between the two boards. It is the opinion of the Board, and one which we are certain is shared by counsel for the parties, that this cleavage

of views would have been accentuated rather than resolved if the proceedings had taken the course initially contemplated by the parties. The net result would have been a whole series of new disputes of a highly technical legal nature instead of a settlement of the original disputes.

DEXTER MERRIAM KEEZER¹

Observations on the Operations of the National War Labor Board

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The following observations on the operations of the National War Labor Board deal both with its basic accomplishments in coping with labor disputes and stabilizing wages, and with some of the more striking manifestations of its behavior as a tripartite agency of government, with membership representing the public, organized labor and employers. That the issue of whether or not an agency designed to deal with labor disputes on behalf of the federal government should have a tripartite membership will continue to have vitality is suggested by the fact that, in passing the Labor Disputes Act of 1946, popularly called the Case bill, the House of Representatives provided for the

¹ By permission from Dexter Merriam Keezer, "Observations on the Operations of the National War Labor Board," *American Economic Review*, June, 1946, pp. 233-35, 239-43, 256-57.

creation of a Labor-Management Mediation Board, with a three-way membership patterned on that of the War Labor Board.

Since my observations on the behavior of the National War Labor Board were made at close range, they tend to emphasize the pulling and pushing in which the conflicting elements composing its tripartite membership were more or less continuously engaged. This pressure performance, while more entertaining, was less important than the Board's basic accomplishment in carrying out its dual assignment to settle labor disputes and stabilize wages, and should be viewed accordingly.

Toward the end of a visit to the National War Labor Board, a friend of mine from England who had been privileged to attend a session of the Board and had been considerably shaken by the experience, inquired, "Was I being led on when I was told that your Board is just like the United States Supreme Court, that it makes decisions from which there is no appeal?" When I assured him that it made such decisions, he exclaimed, "Then I say! Why don't you behave like the United States Supreme Court?"

My friend had reference to the socially rugged manner in which the Board conducted its business. As I recall it, no threats of physical violence were visited on any of the members during the session he attended. In fact, in my experience as a Public member of the Board, which extended over a year and a half, it was only on very rare occasions that it was proposed to "Come outside and finish this!" But it was commonplace to have charges ranging from those of deceitfulness, venality, and vulgar avarice to the relatively mild accusation that one was being willfully and stubbornly obtuse tossed around the Board and accented by shouting and table pounding. It was even more commonplace to have several members of the Board talking at the same time, perhaps

in a series of independent parleys cutting across the main thread of discussion.

Why the Board acted in this forthright fashion seemed to be accounted for in part by what have become almost the conventions of deportment in handling labor relations in the United States. These seem to call for a notably robust line of verbiage, compounded on readily found occasions with mutual abuse by the participants. However, unless the abuse is piled on to a depth and with a persistence that unmistakably indicates that it is sincere, it also seems to be conventional to take it and deliver it with a considerable degree of personal detachment. Indeed, it was not unusual for a member of the War Labor Board to characterize one of his colleagues as bountifully endowed with a large variety of despicable human qualities, and then add blandly, "Nothing personal of course."

A few years ago failure on my part to understand that a comprehensive cussing of each other by the parties to it may merely be a conventional manifestation of virility in handling a labor dispute, led me into a consequential error. At the time I was acting as referee for a division of the National Railroad Adjustment Board which, in addition to the referee, included five representatives of employers and five representatives of the workers. One of my colleagues, a great hulk of a man, kept threatening, it seemed to me very earnestly, to throw another of them out of the window, which happened to be twenty-two stories above the ground. I found this such an alarming prospect that I refused to continue the proceedings until I was spared the thought of having my associate hurtling through space to the pavement below. I had my way, but at the conclusion of my tour of duty as referee, the member to whose threats I had objected advertised me throughout the Northwest, where I was then living, as the most un-

fair man with whom it had ever been his misfortune to be associated. I am sure he was motivated in considerable part by a feeling that I had unreasonably cramped his style by refusing to permit him to present his case with what he regarded as an appropriate degree of vigor. If I had had a tour of duty on the National War Labor Board at the time, I would have been more understanding.

A root cause of the two or more fisted character of the War Labor Board proceedings was, of course, the abiding fact that there are very few, if any, generally respected principles or standards to which to appeal in establishing wages and working conditions. Within the limits of paralyzing bankruptcy on one side and conditions which workers find intolerable on the other, there is a sort of scientific no man's land in which the general absence of controlling economic signposts encourages resort to bluster as a means of trying to prevail.

Use of this technique was also encouraged by the tripartite membership of the War Labor Board, with members appointed to represent wage workers, employers and the public. In accounting for the contrast in deportment which he had noted, I explained to my British friend that if, having argued their cases before the United States Supreme Court, the opposing lawyers were not only invited to join the Justices in discussing how the cases should be decided but between them given twice as many votes as the Court holds, it is at least doubtful if the Court would long be able to maintain a plausible semblance of serenity, even with the aid of black robes and the austere white pile which is the seat of its operations. . . .

In the process of deciding cases, however, the Labor and Industry members generally hewed strictly to the line of partisanship. With individual and fleeting exceptions, their general attitude was per-

haps typified by a remark which a Labor member, who was also the head of a national union, made to a Public member to whom he was complaining about the Board's decisions on certain issues in the case in which he was particularly interested. When the Public member insisted that the Labor member was being fairly treated, he retorted, "We don't merely want a fair decision; we want a favorable decision." He reflected a common attitude on the part of both Labor and Industry members.

The wholehearted pursuit of victory rather than truth resulted in the use of quite a collection of histrionic tricks by the Labor and Industry members which were designed to sway the votes of the Public members in one direction or the other. One was to feign great indignation that the Board should fritter away its precious time with further bootless discussion when the discussion seemed to be opening up the possibility that, if continued, the decision which had seemed safe for their side might go the other way. A variant of this technique was for the side which wanted to hurry its victory to start recording its vote by calling and sometimes almost chanting "aye" or "no" while the discussion of the case was still going on. Another was to belittle the knowledge or good sense, or both, of authorities cited in opposition to their position. Still another was to pretend a passionate devotion to strict adherence to the Board's rules of procedure when there was advantage in doing so, and to write the rules off petulantly as the handiwork of pecksniffian bureaucrats when it worked the other way.

Certain Industry members made it a standard practice to indicate at the outset of the sessions in which they participated that it was, of course, preposterous to suspect that any employer was going to get an even break from a New Deal outfit

like the War Labor Board, the design apparently being to get the Public members to lean over backwards to avoid paying out on the charge. Some of the Labor members also worked much the same system in reverse by quite explicitly deploring the bias, at least on the part of certain Public members, against the modest aspirations of their clients. There is little reason to believe that these as well as many more similar devices to win friends and influence Public members, most of them variants of the theme that "We wuz robbed" or surely are about to be, had much if any effect on the course of War Labor Board decisions. They simply added in their peculiar way to the strangely murky atmosphere in which the Board often operated.

In mastering the art of catch-as-catch-can debate at close quarters, most of the Labor members of the Board had a long head start on their colleagues. They had not only had to think but to talk themselves to their places in leadership in the labor movement and through tough competition. Among the Industry members, however, they found such apt pupils that even though most of the Industry members rotated between their places on the Board and posts in industry and thus were less steadily on the job than their Labor confrères, there was toward the end of the Board's career no consistent preponderance of skill on either side in the application of the peculiar arts of argumentation and obfuscation involved.

On both sides, of course, there were marked differences in the individual techniques used in arguing cases. Some Labor and Industry members operated more or less in the manner of heavy tanks plowing ahead doggedly and relentlessly while others skipped back and forth over the ground with a speed and skill suggestive of the best broken field runners in football. But, however tricky their maneuvers,

none of them lost sight of their objective, which was almost invariably to win the case. And, with few individual exceptions, if that involved letting the Public members vote under a misconception of the issue or its significance, or perhaps even fostering the misconception a little—well, it was up to the Public members to look out for themselves.

As the abuse which was so freely dispensed about the Board involved relatively little personal rancor either on the delivering or receiving end, so the disingenuous manner in which the Labor and Industry members sometimes conducted themselves was no reflection of their personal integrity which, I am sure, was uniformly above reproach. On the War Labor Board theirs was usually a personally detached and almost professionalized rôle of advocacy of which the objective was to win. While, I am told, there is nothing new about the performance of such a rôle in the field of labor relations, it was relatively novel, as well as notable, to have it carried on not merely under the aegis of the government of the United States but also by officials in the person of Labor and Industry members carrying commissions from the President of the United States. The code authorities invented a decade ago by the National Recovery Administration foreshadowed in some measure such a setup but were by no means so comprehensively tripartite. The Industry and Labor members of the War Labor Board first acted as advocates using all the tricks of the trade and inventing new ones from time to time. Then they presumably switched to the rôle of judge, to pass upon the validity of their own arguments; and combined they had, as judges, twice as many votes as the Public members. In such a setup, the security of the public interest, of course, rested largely on the fact that the Industry and Labor members were chronically disagreed about what

would serve it. This almost always left it to the Public members to settle the question, though in a few cases, usually involving voluntary applications for wage increases, the Industry and Labor members gleefully got together and over-rode the Public members. If, however, an Industry or Labor member had shown consistent symptoms of abandoning his partisanship and acting judicially, he would surely have seemed to his associates on his side of the Board to be losing his grip on his job.

Even though the judicial rôle of the Industry and Labor members was largely a fiction, there were important and, I believe, decisive public advantages in the tripartite setup of the War Labor Board, both as an agency to settle wartime labor disputes and to administer the national wage stabilization program. It is axiomatic that the true inwardness of a labor dispute often bears little or no relationship to what is being proclaimed about it—a fact which makes it possible to have a complete documentary record of the dispute and still have no idea of what it is really about. Their Labor and Industry colleagues could and did give the Public members crucially important help in overcoming this difficulty by letting them know, in those rather subtle ways developed by people who work closely and continuously together, the real significance of the dispute involved and what would suffice, if not be satisfactory, as a remedy. Thus, though it was decidedly not one of adding judicial strength to the Board, the tripartite composition did add much to its capacity to deal effectively with labor disputes.

Also the tripartite setup, in my opinion, made a crucially important contribution to wartime wage stabilization. Since the Labor members consistently voted for wage increases, no matter how completely they conflicted with the wage stabilization program, it may seem ridiculous to con-

tend that their participation was essential to the success of a Board administering the wage stabilization program. If, however, organized labor had had no share in the administration of the program and hence no responsibility for it, there might well have been no program at all. In the interest of getting more pay immediately which many organized workers unquestionably could have done, the leaders of organized labor might well have decided to try to do away with the wage stabilization program and take their chances on the runaway inflation against which the program was designed to guard. And they might well have succeeded, too. Consequently, labor membership on the Board was probably a *sine qua non* of any wage stabilization program at all, and a public benefaction as such.

The tripartite composition of the Board also seemed to me to give it a certain amount of immunity from political attack which added to its effectiveness in getting ahead with what was frequently its inflammatory job. Quite a lot of the unpopular business of the Office of Price Administration was initiated by wage adjustments authorized by the War Labor Board. To attack the Board for this, however, would have involved direct conflict with representatives of the nation's most formidable labor organizations. It was safer to lambast OPA which had no such political armor—a fact reflected, I believe, in the relative volumes of political abuse dispensed to these two associated agencies. While the War Labor Board certainly had no political glamour, it came off relatively unscathed in the halls of Congress, not by accident, but in considerable measure by virtue of its tripartite composition. This same composition extended to hundreds of tripartite committees and panels set up by the Board throughout the land to deal with specific cases. These agencies provided their membership with a source of

both power and income which may stimulate a considerable interest in the continuation of a tripartite setup for dealing with disputes over wages and working conditions. . . .

So, too, must wait the final verdict on the validity of my personal impression that all things, and many of them strange things, considered, the War Labor Board carried out its assignment well. How, in the light of manifold cross purposes impinging upon it, the Board managed to do so is not a simple question. The basic answer, I believe, is that, in spite of all of the pulling, pushing, snorting, and pounding which enlivened its course, all elements of the Board were powerfully propelled by a deep sense of devotion to a country which even in wartime permitted such an untrammelled performance in handling labor disputes, instead of committing them to the much more tidy disposition of a dictatorship. At any rate, labor disputes which would cripple war production were prevented and wages were kept relatively stable. These were the major objectives of the War Labor Board. Of course, what the price of success in obtaining them will be, in terms of post-war headaches in industrial relations, remains to be fully determined.

THE BUREAU OF NATIONAL AFFAIRS¹

Labor-Management Relations Act of 1947

The Labor-Management Relations Act of 1947 is a long act as well as a complex one. The provisions in its five titles are

¹ The Bureau of National Affairs, *BNA Special Report*, 1947, pp. 2-6.

intertwined and various phases of the same problem are often dealt with in two or more titles or sections. The topical summary below pulls together all the provisions dealing with each major topic to show just what the law's effect would be in specific fact situations.

I. STRIKES

Compulsory arbitration is avoided, even in labor disputes of a national emergency character, but the problem of reducing work stoppages is tackled from a number of angles.

A. Cooling-off Periods. Any party to a bargaining contract desiring to negotiate a change in terms on expiration must give 60 days' advance notice. The status quo must be maintained during the 60-day period or until the contract expires, whichever is the longer period. Employees who strike during the period forfeit their Wagner Act rights unless and until they are reemployed.

B. Unlawful Strikes and Boycotts. Outlawed are strikes and boycotts for the following purposes:

1. To force an employer or a self-employed person to join a labor or employer organization.
2. To force a business to cease dealing with another company or to cease using, selling, handling, or transporting its products (secondary boycotts).
3. To force *another employer* (not the employer of the striking or boycotting employees) to recognize a union which has not been certified as the bargaining agent of his employees.
4. To force *any employer* to recognize one union if another union has been certified as bargaining agent.
5. To force an employer to assign particular work to one union rather than another, unless the employer is disregarding a certification of the Labor Relations Board (jurisdictional strikes and boycotts).

A union which engages in or encourages employees to engage in strikes and boycotts of these kinds is guilty of an unfair labor practice. When charges are filed and NLRB, after a preliminary investigation, has reason to believe they are true, it is required to go to court immediately and seek an injunction or temporary restraining order against the union. In the case of jurisdictional strikes, NLRB is to give the unions 10 days in which to work out some basis for settlement of their dispute, failing which NLRB itself is to decide the dispute which led to the strike.

In addition, strikes or boycotts in these categories are made unlawful and anyone injured as a result may go into federal court and claim damages from the union.

C. Strikes in Violation of Contract. In addition to barring strikes in the 60-day waiting period prior to termination of a contract, the bill throws open the federal courts to suits by employers for breach of contract. Where the contract contains a no-strike clause which is alleged to have been violated, the employer would seem to be free to seek both damages and an injunction against the strike.

D. National Emergency Strikes. Strikes of an industry-wide or substantially industry-wide character which are found to imperil the national health or safety are subject to injunction for a maximum period of 80 days. Injunction proceedings are instituted by the Attorney General at the direction of the President. The President is advised by a specially appointed board of inquiry which makes a preliminary investigation prior to the time an injunction is sought and turns in a final report after the injunction has been in effect for 60 days. If the dispute is still unsettled, NLRB polls employees as to whether they want to accept the employer's final offer and reports the results to the President. Then, if the dispute is still unsettled, the

injunction is dissolved and the case is dropped in the lap of Congress.

E. Mediation and Conciliation. To speed the settlement of all disputes, the government's conciliation functions are expanded and placed under the direction of a new independent agency, the Federal Mediation and Conciliation Service, headed by a Director appointed by the President. Halfway through the 60-day cooling-off period required prior to the expiration of a contract, the Mediation Service must be notified if no agreement on a new contract has been reached. The Service may on its own motion step into any dispute which appears to threaten a substantial interruption of commerce.

Reinforcing the conciliation machinery is what amounts to a code of ethics for management and labor. Employers, employees, and their representatives are directed: (1) to exert every reasonable effort to make and maintain agreements; (2) to meet promptly on request of the other party and try to settle any dispute arising over the terms or application of an existing agreement; and (3) failing settlement of a dispute by conference, to participate fully and promptly in any conciliation efforts undertaken by the Mediation Service.

II. SUBJECTS OF COLLECTIVE BARGAINING

Some of the most far-reaching provisions of the law are those which regulate the terms of certain standard subjects of collective bargaining, including union security, the checkoff, and employee benefits. In most instances, but not all, existing contracts are not affected until expiration or renewal.

A. Union Security. By a tightening of the Wagner Act's so-called closed shop proviso, closed shop contracts and other agreements which require hiring through the union or hiring of union members only are effectively outlawed. The maxi-

mum form of union security permitted is a contract which requires, as a condition of employment, membership in the union 30 days after the date of employment, or the effective date of the contract, whichever is the later. Even then—

1. The union must be the employees' lawful bargaining representative and must have received no assistance from the employer.

2. A majority of all employees in the unit (not merely of those voting) must have signified their approval of the negotiation of a union shop contract in a secret ballot election conducted by NLRB.

3. The contract may not be applied to penalize an employee who (a) was denied union membership on the same terms and conditions applicable to other union members or (b) was denied membership or expelled from the union for any reason other than failure to tender the regular dues and initiation fees.

Discrimination against an employee which goes beyond these bounds is an unfair labor practice on the part of the employer, and action by a union to cause or attempt to cause discrimination by an employer is an unfair labor practice on its part. Where charges of such discrimination are sustained, NLRB may assess back pay for the employee against either the employer or the union, whichever it finds responsible.

At any time beyond one year after employees have voted to authorize a union shop contract, 30 percent or more of the employees may petition NLRB for a new election.

State legislation placing greater restrictions on union security contracts is recognized in the bill, and nothing in the proposed law would nullify such state laws.

B. *Checkoff*. Deductions from employees' wages for payment of union dues are permitted only in respect to employees who have given their employer a written

assignment. The authorization must be revocable by the employee after one year or the termination of the contract, whichever is earlier. Existing checkoff agreements must be brought into conformity on expiration or by July 1, 1948, whichever date occurs first.

C. *Featherbedding*. The bill makes it an unfair labor practice for a union "to cause or attempt to cause an employer to pay or deliver any money or other thing of value in the nature of an exaction for services which are not performed or not to be performed." While this provision will require considerable litigation before its meaning becomes clear, it would appear to prohibit a union from demanding contract clauses which obligate the employer to employ standby workers.

D. *Health and Welfare Funds* are surrounded by elaborate restrictions. Any such arrangement must provide for a trust fund established for the sole benefit of employees, their families and dependents. The purposes for which payments may be made out of the trust are limited. Except for plans established before Jan. 1, 1946, any plan must be set out fully in writing and must provide for bipartisan administration with some arrangement for a neutral person to break deadlocks. Payments intended to be used for purchasing pensions or annuities for employees must be made into a separate trust which cannot be used for any other purpose.

E. *Other Payments by an Employer* to a union or a representative of the employees, except for services rendered as an employee, are virtually forbidden. It is not clear from the law's language whether this would affect contract clauses requiring compensation for time spent in grievance activity.

F. *No-Strike Clauses* assume added significance in negotiations in view of the opening of federal courts to suits for violation of contract.

III. THE COLLECTIVE BARGAINING PROCESS

The obligation continues on employers to bargain with the duly designated representative of employees, and a parallel obligation to bargain with the employer is placed on the employee representative. Added is a definition of what the legal obligation to bargain means. This includes meeting at reasonable times and conferring with the other party and conferring in good faith with respect to terms and conditions of employment, and the execution, on request, of a written contract incorporating any agreement reached.

The obligation to bargain does not compel either party to agree to a proposal or to make a concession, nor does it require either party to discuss or agree to any modification of a fixed term agreement to take effect before the contract can properly be reopened.

The employer, like the employees, is free to select his own representative for purposes of collective bargaining. This provision is generally understood to mean that an employer may not be forced by a union to bargain through an association if he chooses to bargain individually.

Grievance handling is more carefully distinguished from collective bargaining. It is made clear that employees are free if they choose to take up their grievances and have them settled directly with management, provided (a) the settlement does not undercut the union contract and (b) the collective bargaining representative is allowed to be present.

IV. THE COLLECTIVE BARGAINING REPRESENTATIVE

As in the Wagner Act, the union designated by a majority of employees in the bargaining unit is the exclusive bargaining representative. *But:* (1) the opportunity to challenge a union's bargaining status is broadened considerably and (2)

the discretion of NLRB in establishing the bargaining unit is narrowed.

A. *Decertification.* Petitions from employees for decertification of a union as their bargaining agent must be treated by NLRB in the same manner as union petitions for certification. An employer may petition the Board for an election if *one or more* unions claims the right to bargain for his employees, and such petitions must likewise be given equal treatment.

B. *Elections.* No election, other than a runoff, is to be held in the bargaining unit within a year of the last election. Runoff elections must provide for selection between the two choices (one of which may be "no union") receiving the largest number of votes in the original election. Where there is only one union seeking to organize employees, the employer cannot force the union into an election before it is ready for it, since the employer may ask for an election only if the union has claimed the right to represent employees. A secret election is the only means NLRB may employ to determine the bargaining representative.

C. *Bargaining Units.* NLRB's discretion is hedged in these respects:

1. *Craft groups* may, as a general rule, be set up only as separate units unless a majority in the unit votes against separate representation.

2. *Professional employees* may be set up only as separate units unless a majority votes for inclusion in a larger unit.

3. *Guards* must not only be set up as separate units, but also may be represented only by a union which is unaffiliated with any organization admitting other classes of employees to membership.

4. *Supervisors* must be excluded from all units.

5. *The extent of organization* of employees is not to be taken as the controlling factor in establishing bargaining units.

V. UNION CONDUCT

In addition to the restrictions on strikes and on the subjects of collective bargaining described above, the bill affects the operations of labor unions in these important respects:

A. *Organizing Activity.* Employees are held to be free to refrain from collective activity, except to the extent they are limited by a valid union shop contract. Restraint or coercion of employees in the exercise of this right is a union unfair labor practice, but this does not mean that the union cannot prescribe its own membership rules.

B. *Union Registration.* Protection of the Wagner Act is denied to unions unless they file with the Secretary of Labor reports which show, among other things: names, compensation, and method of selection of officers; dues and initiation fees; procedure for the conduct of internal union affairs; and full financial data. This information must be kept up to date annually, and the report on the union's finances must also be distributed to all members. An affidavit must also be filed with NLRB by each officer of the union stating that he is not a Communist.

C. *Initiation Fees* must not be excessive or discriminatory. NLRB is made the judge.

D. *Suits Against Unions.* Unions are made suable in the federal courts as entities, and they are held bound by the acts of their agents. Both for purposes of suit and for purposes of the National Labor Relations Act, the term "agent" is given a broad meaning. A money judgment against a union is enforceable only against the organization's assets, not against those of individual members.

E. *Political Activity* by unions is restricted by a ban on contributions or expenditures in connection with a national election or a primary.

F. *Picketing.* The right of unions and of employees to recognize a picket line around another employer's plant is expressly preserved where the strike is one which has been ratified by the authorized bargaining agent.

VI. EMPLOYER CONDUCT

The five employer unfair labor practices proscribed by the Wagner Act remain unchanged in language, but with some modifications as a result of amendments to other sections of the act. These modifications include the new restrictions on union security contracts and the new definition of collective bargaining discussed above. In addition—

A. *Views, Arguments, and Opinions* which contain no threats of reprisal and no promises of benefits are not to be considered evidence of an unfair labor practice.

B. *Reinstatement and Back Pay* are not to be ordered by NLRB for any employee who was suspended or discharged for cause.

VII. LABOR RELATIONS BOARD PROCEDURE

In addition to acquiring two new members, NLRB gets a number of new duties, including the conduct of "union shop" elections and elections to determine whether employees involved in a national emergency dispute want to accept the employer's last offer; the determination of jurisdictional disputes; and appraisal of the reasonableness of union initiation fees. The Board's present procedure would also be altered in the following respects:

A. *Judicial and Prosecuting Functions* would be further separated by an increase in the responsibility and independence of the Board's General Counsel; who would have final authority over investigation of charges, issuance of complaints, and prosecution of unfair labor practice cases before

the Board. He would be appointed by the President.

B. *The Review Division of the Board* is abolished and several other steps are taken with the idea of insuring that final decisions of the Board represent the independent judgment of the Board members.

C. *Evidence.* The Board is instructed to observe, so far as practicable, the rules of evidence applicable in the United States district courts under the rules of civil procedure. In reviewing decisions of the Board, the courts are to treat the Board's findings as to questions of fact as conclusive "if supported by substantial evidence on the record considered as a whole."

D. *Injunctions.* The Board is given new authority to go into court and seek a temporary restraining order, or other appropriate relief, at the time it issues a complaint of unfair labor practices. This gives it power to act quickly where the delay attendant on hearings and final decision would prejudice full enforcement of the Act.

E. *Independent Unions.* The Board is directed to draw no distinction in its treatment of unaffiliated and affiliated unions with regard either to complaints of company-domination or to elections.

F. *Other Changes* in procedure limit the Board's discretion in the issuance of subpoenas, and require in complaint cases that the report and recommendations of the trial examiner be served on the parties and, if no exceptions are taken within 20 days, become the final order of the Board.

VIII. COVERAGE

Major change in coverage is the exclusion of supervisors in businesses affecting commerce from the protection, not only of the National Labor Relations Act, but of any other federal or state law relating to collective bargaining. Nothing in the bill would prevent a supervisor from joining a union or an employer from bargain-

ing with a foreman's union, but there is no compulsion on the employer to do so.

"Employee," as redefined for purposes of the NLRA, also excludes persons employed in agriculture ("agricultural laborers" in the Wagner Act), persons having the status of independent contractors, and employees of businesses subject to the Railway Labor Act. This last exclusion is intended, according to the Senate Labor Committee, to make the new union unfair labor practice provisions inapplicable as regards employees under the Railway Labor Act.

Additional Employer Groups excluded from the NLRA are Federal Reserve Banks, wholly owned government corporations, and nonprofit hospitals.

HARRY S. TRUMAN¹

Veto of Labor- Management Relations Act, 1947

Harry S. Truman (1884-), President of the United States, was formerly Senator from Missouri.

To the House of Representatives:

I return herewith, without my approval, H.R. 3020, the Labor-Management Relations Act, 1947.

I am fully aware of the gravity which attaches to the exercise by the President of his constitutional power to withhold his approval from an enactment of the Congress.

I share with the Congress the conviction that legislation dealing with the rela-

¹ Harry S. Truman, House of Representatives, Document No. 334, 80th Congress (1st Session), pp. 1-11.

tions between management and labor is necessary. I heartily condemn abuses on the part of unions and employers, and I have no patience with stubborn insistence on private advantage to the detriment of the public interest.

But this bill is far from a solution of those problems.

When one penetrates the complex, interwoven provisions of this omnibus bill, and understands the real meaning of its various parts, the result is startling.

The bill taken as a whole would reverse the basic direction of our national labor policy, inject the Government into private economic affairs on an unprecedented scale, and conflict with important principles of our democratic society. Its provisions would cause more strikes, not fewer. It would contribute neither to industrial peace nor to economic stability and progress. It would be a dangerous stride in the direction of a totally managed economy. It contains seeds of discord which would plague this Nation for years to come.

Because of the far-reaching import of this bill, I have weighed its probable effects against a series of fundamental considerations. In each case I find that the bill violates principles essential to our public welfare.

I. The first major test which I have applied to this bill is whether it would result in more or less Government intervention in our economic life.

Our basic national policy has always been to establish by law standards of fair dealing and then to leave the working of the economic system to the free choice of individuals. Under that policy of economic freedom we have built our Nation's productive strength. Our people have deep faith in industrial self-government with freedom of contract and free collective bargaining.

I find that this bill is completely contrary to that national policy of economic

freedom. It would require the Government, in effect, to become an unwanted participant at every bargaining table. It would establish by law limitations on the terms of every bargaining agreement, and nullify thousands of agreements mutually arrived at and satisfactory to the parties. It would inject the Government deeply into the process by which employers and workers reach agreement. It would superimpose bureaucratic procedures on the free decisions of local employers and employees.

At a time when we are determined to remove, as rapidly as practicable, Federal controls established during the war, this bill would involve the Government in the free processes of our economic system to a degree unprecedented in peacetime.

This is a long step toward the settlement of economic issues by Government dictation. It is an indication that industrial relations are to be determined in the Halls of Congress, and that political power is to supplant economic power as the critical factor in labor relations.

II. The second basic test against which I have measured this bill is whether it would improve human relations between employers and their employees.

Cooperation cannot be achieved by force of law. We cannot create mutual respect and confidence by legislative fiat.

I am convinced that this legislation overlooks the significance of these principles. It would encourage distrust, suspicion, and arbitrary attitudes.

I find that the National Labor Relations Act would be converted from an instrument with the major purpose of protecting the right of workers to organize and bargain collectively into a maze of pitfalls and complex procedures. As a result of these complexities employers and workers would find new barriers to mutual understanding.

The bill time and again would remove

the settlement of differences from the bargaining table to courts of law. Instead of learning to live together, employers and unions are invited to engage in costly, time-consuming litigation, inevitably embittering both parties. . . .

III. A third basic test is whether the bill is workable.

There is little point in putting laws on the books unless they can be executed. I have concluded that this bill would prove to be unworkable. The so-called emergency procedure for critical Nation-wide strikes would require an immense amount of Government effort but would result almost inevitably in failure. The National Labor Relations Board would be given many new tasks, and hobbled at every turn in attempting to carry them out. Unique restrictions on the Board's procedures would so greatly increase the backlog of unsettled cases that the parties might be driven to turn in despair from peaceful procedures to economic force.

IV. The fourth basic test by which I have measured this bill is the test of fairness.

The bill prescribes unequal penalties for the same offense. It would require the National Labor Relations Board to give priority to charges against workers over related charges against employers. It would discriminate against workers by arbitrarily penalizing them for all critical strikes.

Much has been made of the claim that the bill is intended simply to equalize the positions of labor and management. Careful analysis shows that this claim is unfounded. Many of the provisions of the bill standing alone seem innocent but, considered in relation to each other, reveal a consistent pattern of inequality.

The failure of the bill to meet these fundamental tests is clearly demonstrated by a more detailed consideration of its defects.

1. *The bill would substantially increase strikes.*

(1) It would discourage the growing willingness of unions to include "no strike" provisions in bargaining agreements, since any labor organization signing such an agreement would expose itself to suit for contract violation if any of its members engaged in an unauthorized "wildcat" strike.

(2) It would encourage strikes by imposing highly complex and burdensome reporting requirements on labor organizations which wish to avail themselves of their rights under the National Labor Relations Act. In connection with these reporting requirements, the bill would penalize unions for any failure to comply, no matter how inconsequential, by denying them all rights under the act. These provisions, which are irrelevant to the major purpose of the bill, seem peculiarly designed to place obstacles in the way of labor organizations which wish to appeal to the National Labor Relations Board for relief, and thus to impel them to strike or take other direct action.

(3) It would bring on strikes by depriving significant groups of workers of the right they now enjoy to organize and to bargain under the protection of law. For example, broad groups of employees who for purposes of the act would be classed as supervisors would be removed from the protection of the act. Such groups would be prevented from using peaceful machinery and would be left no option but the use of economic force.

(4) The bill would force unions to strike or to boycott if they wish to have a jurisdictional dispute settled by the National Labor Relations Board. This peculiar situation results from the fact that the Board is given authority to determine jurisdictional disputes over assignment of work only after such disputes have been converted into strikes or boycotts.

GOVERNMENT PARTICIPATION AND CONTROL

In addition to these ways in which specific provisions of the bill would lead directly to strikes, the cumulative effect of many of its other provisions which disrupt established relationships would result in industrial strife and unrest.

2. *The bill arbitrarily decides, against the workers, certain issues which are normally the subject of collective bargaining, and thus restricts the area of voluntary agreement.*

(1) The bill would limit the freedom of employers and labor organizations to agree on methods of developing responsibility on the part of unions by establishing union security. While seeming to preserve the right to agree to the union shop, it would place such a multitude of obstacles in the way of such agreement that union security and responsibility would be largely canceled. . . .

(2) The bill would limit the freedom of employers and employees to establish and maintain welfare funds. It would prescribe arbitrary methods of administering them and rigidly limit the purposes for which they may be used. This is an undesirable intrusion by the Government into an important matter which should be the subject of private agreement between employers and employees.

(3) The bill presents the danger that employers and employees might be prohibited from agreeing on safety provisions, rest-period rules, and many other legitimate practices, since such practices may fall under the language defining "feather-bedding."

3. *The bill would expose employers to numerous hazards by which they could be annoyed and hampered.*

(1) The bill would invite frequent disruption of continuous plant production by opening up immense possibilities for many more elections, and adding new types of elections. The bill would invite election-

eer for changes in representatives and for union security. . . .

(2) The bill would complicate the collective bargaining process for employers by permitting—and in some cases requiring—the splitting up of stable patterns of representation. Employers would be harassed by having to deal with many small units. Labor organizations would be encouraged to engage in constant interunion warfare, which could result only in confusion.

(3) The bill would invite unions to sue employers in the courts regarding the thousands of minor grievances which arise every day over the interpretation of bargaining agreements. Employers are likely to be besieged by a multiplicity of minor suits, since management necessarily must take the initiative in applying the terms of agreements. . . . In introducing damage suits as a possible substitute for grievance machinery, the bill rejects entirely the informed wisdom of those experienced in labor relations.

(4) The bill would prevent an employer from freely granting a union-shop contract, even where he and virtually his entire working force were in agreement as to its desirability. He would be required to refrain from agreement until the National Labor Relations Board's work load permitted it to hold an election—in this case simply to ratify an unquestioned and legitimate agreement.

Employers, moreover, would suffer because the ability of unions to exercise responsibility under bargaining agreements would be diminished. Labor organizations whose disciplinary authority is weakened cannot carry their full share of maintaining stability of production.

4. *The bill would deprive workers of vital protection which they now have under the law.*

(1) The bill would make it easier for an employer to get rid of employees whom

he wanted to discharge because they exercised their right of self-organization guaranteed by the act. It would permit an employer to dismiss a man on the pretext of a slight infraction of shop rules, even though his real motive was to discriminate against this employee for union activity.

(2) The bill would also put a powerful new weapon in the hands of employers by permitting them to initiate elections at times strategically advantageous to them. It is significant that employees on economic strike who may have been replaced are denied a vote. An employer could easily thwart the will of his employees by raising a question of representation at a time when the union was striking over contract terms.

(3) It would give employers the means to engage in endless litigation, draining the energy and resources of unions in court actions, even though the particular charges were groundless.

(4) It would deprive workers of the power to meet the competition of goods produced under sweatshop conditions by permitting employers to halt every type of secondary boycott, not merely those for unjustifiable purposes.

(5) It would reduce the responsibility of employers for unfair labor practices committed in their behalf. . . .

(6) At the same time it would expose unions to suits for acts of violence, wild-cat strikes and other actions, none of which were authorized or ratified by them. By employing elaborate legal doctrine, the bill applies a superficially similar test of responsibility for employers and unions—each would be responsible for the acts of his "agents." But the power of an employer to control the acts of his subordinates is direct and final. This is radically different from the power of unions to control the acts of their members—who are, after all, members of a free association.

5. *The bill abounds in provisions which would be unduly burdensome or actually unworkable.*

(1) The bill would erect an unworkable administrative structure for carrying out the National Labor Relations Act. The bill would establish, in effect, an independent General Counsel and an independent Board. But it would place with the Board full responsibility for investigating and determining election cases—over 70 percent of the present case load—and at the same time would remove from the Board the authority to direct and control the personnel engaged in carrying out this responsibility.

(2) It would invite conflict between the National Labor Relations Board and its General Counsel, since the General Counsel would decide, without any right of appeal by employers and employees, whether charges were to be heard by the Board, and whether orders of the Board were to be referred to the court for enforcement. By virtue of this unlimited authority, a single administrative official might usurp the Board's responsibility for establishing policy under the act.

(3) It would strait-jacket the National Labor Relations Board's operations by a series of special restrictions unknown to any other quasi judicial agency. After many years of study, the Congress adopted the Administrative Procedures Act of 1946 to govern the operation of all quasi judicial agencies, including the National Labor Relations Board. This present bill disregards the Procedures Act and, in many respects, is directly contrary to the spirit and letter of that act. . . .

(4) The bill would require or invite Government supervised elections in an endless variety of cases. Questions of the bargaining unit, of representatives, of union security, of bargaining offers, are subject to election after election, most of them completely unnecessary. The Na-

tional Labor Relations Board has had difficulty conducting the number of elections required under present law. This bill would greatly multiply this load. It would in effect impose upon the Board a 5-year backlog of election cases, if it handled them at its present rate.

(5) The bill would introduce a unique handicap, unknown in ordinary law, upon the use of statements as evidence of unfair labor practices. An antiunion statement by an employer, for example, could not be considered as evidence of motive, unless it contained an explicit threat of reprisal or force or promise of benefit. The bill would make it an unfair labor practice to "induce or encourage" certain types of strikes and boycotts—and then would forbid the National Labor Relations Board to consider as evidence "views, argument, or opinion" by which such a charge could be proved.

(6) The bill would require the Board to "determine" jurisdictional disputes over work tasks, instead of using arbitration, the accepted and traditional method of settling such disputes. In order to get its case before the Board a union must indulge in a strike or a boycott and wait for some other party to allege that it had violated the law. . . .

(7) The bill would require the Board to determine which employees on strike are "entitled to reinstatement" and hence would be eligible to vote in an election held during a strike. This would be an impossible task, since it would require the Board arbitrarily to decide which, if any, of the employees had been replaced and therefore should not be allowed to vote.

6. *The bill would establish an ineffective and discriminatory emergency procedure for dealing with major strikes affecting the public health or safety.*

This procedure would be certain to do more harm than good, and to increase rather than diminish widespread indus-

trial disturbances. I am convinced that the country would be in for a bitter disappointment if these provisions of the bill became law.

The procedure laid down by the bill is elaborate. Its essential features are a Presidential board of inquiry, a waiting period of approximately 80 days (enforced by injunction), and a secret ballot vote of the workers on the question of whether or not to accept their employer's last offer.

At the outset a board of inquiry would be required to investigate the situation thoroughly, but would be specifically forbidden to offer its informed judgment concerning a reasonable basis for settlement of the dispute. Such inquiry therefore would serve merely as a sounding board to dramatize the respective positions of the parties.

A strike or lock-out might occur before the board of inquiry could make its report, and perhaps even before the board could be appointed. The existence of such a strike or lock-out would hamper the board in pursuing its inquiry. Experience has shown that fact finding, if it is to be most effective as a device for settlement of labor disputes, should come before the men leave their work, not afterward. Furthermore an injunction issued after a strike has started would arouse bitter resentment which would not contribute to agreement.

If the dispute had not been settled after 60 days of the waiting period, the National Labor Relations Board would be required to hold a separate election for the employees of each employer to find out whether the workers wished to accept the employer's last offer, as stated by him. Our experience under the War Labor Disputes Act showed conclusively that such an election would almost inevitably result in a vote to reject the employer's offer, since such action amounts to a vote of confidence by the workers in their bar-

gaining representatives. The union would then be reinforced by a dramatic demonstration, under Government auspices, of its strength for further negotiations.

After this elaborate procedure the injunction would then have to be dissolved, the parties would be free to fight out their dispute, and it would be mandatory for the President to transfer the whole problem to the Congress, even if it were not in session. Thus, major economic disputes between employers and their workers over contract terms might ultimately be thrown into the political arena for disposition. One could scarcely devise a less effective method for discouraging critical strikes.

This entire procedure is based upon the same erroneous assumptions as those which underlay the strike-vote provision of the War Labor Disputes Act, namely, that strikes are called in haste as the result of inflamed passions, and that union leaders do not represent the wishes of the workers. We have learned by experience, however, that strikes in the basic industries are not called in haste, but only after long periods of negotiation and serious deliberation; and that in the secret-ballot election the workers almost always vote to support their leaders.

Furthermore, a fundamental inequity runs through these provisions. The bill provides for injunctions to prohibit workers from striking, even against terms dictated by employers after contracts have expired. There is no provision assuring the protection of the rights of the employees during the period they are deprived of the right to protect themselves by economic action.

In summary, I find that the so-called "emergency procedure" would be ineffective. It would provide for clumsy and cumbersome Government intervention; it would authorize inequitable injunctions; and it would probably culminate in a public confession of failure. I cannot con-

ceive that this procedure would aid in the settlement of disputes.

7. The bill would discriminate against employees.

(1) It would impose discriminatory penalties upon employers and employees for the same offense, that of violating the requirement that existing agreements be maintained for 60 days without strike or lock-out while a new agreement is being negotiated. Employers could only be required to restore the previous conditions of employment, but employees could be summarily dismissed by the employer.

(2) The bill would require the Board to seek a temporary restraining order when labor organizations had been charged with boycotts or certain kinds of jurisdictional strikes. It would invite employers to find any pretext for arguing that "an object" of the union's action was one of these practices, even though the primary object was fully legitimate. Moreover, since these cases would be taken directly into the courts, they necessarily would be settled by the judiciary before the National Labor Relations Board had a chance to decide the issue. This would thwart the entire purpose of the National Labor Relations Act in establishing the Board, which purpose was to confer on the Board, rather than the courts, the power to decide complex questions of fact in a special field requiring expert knowledge. This provision of the bill is clearly a backward step toward the old abuses of the labor injunction. No similar provision directed against employers can be found in the bill.

(3) The bill would also require the Board to give priority in investigating charges of certain kinds of unfair labor practices against unions, even though such unfair labor practices might have been provoked by those of the employer. Thus the bill discriminates, in this regard, in the relief available to employers and unions.

(4) It would impose on labor organizations, but not on employers, burdensome reporting requirements which must be met before any rights would be available under the act.

(5) In weakening the protections afforded to the right to organize, contrary to the basic purpose of the National Labor Relations Act, the bill would injure smaller unions far more than larger ones. Those least able to protect themselves would be the principal victims of the bill.

8. *The bill would disregard in important respects the unanimous convictions of employer and labor representatives at the National Labor-Management Conference in November 1945.*

(1) One of the strongest convictions expressed during the Conference was that the Government should withdraw from the collective-bargaining process, now that the war emergency is over, and leave the determination of working conditions to the free agreement of the parties. This bill proceeds in exactly the opposite direction. In numerous ways the bill would unnecessarily intrude the Government into the process of reaching free decisions through bargaining. This intrusion is precisely what the representatives of management and labor resented.

(2) A unanimous recommendation of the Conference was that the Conciliation Service should be strengthened within the Department of Labor. But this bill removes the Conciliation Service from the Department of Labor. The new name for the Service would carry with it no new dignity or new functions. The evidence does not support the theory that the conciliation function would be better exercised and protected by an independent agency outside the Department of Labor. Indeed, the Service would lose the important day-to-day support of factual research in industrial relations available from other

units of the Department. Furthermore, the removal of the Conciliation Service from the Department of Labor would be contrary to the praiseworthy policy of the Congress to centralize related governmental units within the major Government departments.

9. *The bill raises serious issues of public policy which transcend labor-management difficulties.*

(1) In undertaking to restrict political contributions and expenditures, the bill would prohibit many legitimate activities on the part of unions and corporations. This provision would prevent the ordinary union newspaper from commenting favorably or unfavorably upon candidates or issues in national elections. I regard this as a dangerous intrusion on free speech, unwarranted by any demonstration of need, and quite foreign to the stated purposes of this bill.

Furthermore, this provision can be interpreted as going far beyond its apparent objectives, and as interfering with necessary business activities. It provides no exemption for corporations whose business is the publication of newspapers or the operation of radio stations. It makes no distinctions between expenditures made by such corporations for the purpose of influencing the results of an election, and other expenditures made by them in the normal course of their business "in connection with" an election. Thus it would raise a host of troublesome questions concerning the legality of many practices ordinarily engaged in by newspapers and radio stations.

(2) In addition, in one important area the bill expressly abandons the principle of uniform application of national policy under Federal law. The bill's stated policy of preserving some degrees of union security would be abdicated in all States

where more restrictive policies exist. In other respects the bill makes clear that Federal policy would govern insofar as activities affecting commerce are concerned. This is not only an invitation to the States to distort national policy as they see fit, but is a complete forsaking of a long-standing constitutional principle.

(3) In regard to Communists in unions, I am convinced that the bill would have an effect exactly opposite to that intended by the Congress. Congress intended to assist labor organizations to rid themselves of Communist officers. With this objective I am in full accord. But, the effect of this provision would be far different. The bill would deny the peaceful procedures of the National Labor Relations Act to a union unless all its officers declared under oath that they were not members of the Communist Party and that they did not favor the forceful or unconstitutional overthrow of the Government. The mere refusal by a single individual to sign the required affidavit would prevent an entire national labor union from being certified for purposes of collective bargaining. Such a union would have to win all its objectives by strike, rather than by orderly procedure under the law. The union and the affected industry would be disrupted for perhaps a long period of time while violent electioneering, charges and counter-charges split open the union ranks. The only result of this provision would be confusion and disorder, which is exactly the result the Communists desire.

This provision in the bill is an attempt to solve difficult problems of industrial democracy by recourse to oversimplified legal devices. I consider that this provision would increase, rather than decrease, disruptive effects of Communists in our labor movement. . . .

The most fundamental test which I have applied to this bill is whether it would strengthen or weaken American democracy in the present critical hour. This bill is perhaps the most serious economic and social legislation of the past decade. Its effects—for good or ill—would be felt for decades to come.

I have concluded that the bill is a clear threat to the successful working of our democratic society.

One of the major lessons of recent world history is that free and vital trade unions are a strong bulwark against the growth of totalitarian movements. We must, therefore, be everlastingly alert that in striking at union abuses we do not destroy the contribution which unions make to our democratic strength.

This bill would go far toward weakening our trade-union movement. And it would go far toward destroying our national unity. By raising barriers between labor and management and by injecting political considerations into normal economic decisions, it would invite them to gain their ends through direct political action. I think it would be exceedingly dangerous to our country to develop a class basis for political action.

I cannot emphasize too strongly the transcendent importance of the United States in the world today as a force for freedom and peace. We cannot be strong internationally if our national unity and our productive strength are hindered at home. Anything which weakens our economy or weakens the unity of our people—as I am thoroughly convinced this bill would do—I cannot approve. . . .

For the compelling reasons I have set forth, I return H.R. 3020 without my approval.

HARRY S. TRUMAN.

The White House, June 20, 1947.

ROBERT A. TAFT¹

In Defense of the Labor-Management Act, 1947

Robert A. Taft (1889-) has been United States Senator from Ohio since 1939, Republican leader in the Senate, and co-author of the Taft-Hartley Labor Bill.

Mr. President, we have drafted this bill and it is based on the theory of the Wagner Act, if you please. It is based on the theory that the solution of the labor problem in the United States is free, collective bargaining—a contract between one employer and all of his men acting as one man.

Many people have felt that the Government should come in certain cases and impose compulsory arbitration in the fixing of wages, if the parties cannot agree. Our provision for dealing with Nationwide strikes has been criticized. After 60 days, if they still want to vote for a strike, we have not forbidden it, because we believe that the right to strike for hours, wages, and working conditions in the ultimate analysis is essential to the maintenance of freedom in the United States. We have rejected every effort to impose upon any men any wages, hours, or working conditions to which they, through their representatives, do not agree. . . .

We have tried to deal with abuses. We tried to get testimony as to just what is wrong in this field, and there is testimony on the record as to each of the things which we have tried to correct.

We have tried to correct secondary boy-

cotts and jurisdictional strikes. The truth is that originally, before the passage of any of the laws dealing with labor, the employer had all the advantage. He had the employees at his mercy, and he could practically in most cases dictate the terms which he wished to impose. Congress passed the Clayton Act, the Norris-La-Guardia Act, and the Wagner Act. The latter act was interpreted by a completely prejudiced board in such a way that it went far beyond the original intention of Congress, until we reached a point where the balance had shifted over to the other side, where the labor leaders had every advantage in collective bargaining and were relieved from any liability in breaking the contract after they had made the bargain. That was a condition under which strikes actually were encouraged and protected, no matter what the purpose or the character of the particular strike.

All we have tried to do is to swing that balance back, not too far, to a point where the parties can deal equally with each other and where they have approximately equal power. . . .

This is a perfectly reasonable bill in every respect. If we are to have free collective bargaining it must be between two responsible parties. Some of the provisions of this bill deal with the question of making the unions responsible. There is no reason in the world why a union should not have the same responsibility that a corporation has which is engaged in business. So we have provided that a union may be sued as if it were a corporation. We have provided that the union must file statements as corporations have had to file them, setting up their methods of doing business and making financial reports to the members and to the Secretary of Labor. That sort of reform actually strengthens the members in their collective bargaining. There will be no free

¹ Robert A. Taft in *The Congressional Record*, Vol. 93, No. 119, pp. 7690 f.

collective bargaining until both sides are equally responsible.

We have set up a Mediation Service. We took it out of the Department of Labor because it was felt, rightly or wrongly, that as long as it was an agency of the Department of Labor it must necessarily take a prolabor slant and therefore could not be as fair in mediating differences between the parties. Then we outlawed secondary boycotts and jurisdictional strikes. There was no testimony in the record anywhere to the effect that secondary boycotts and jurisdictional strikes were justified. . . .

In this bill we prohibit secondary boycotts all over this country. There have been secondary boycotts in which a union has said, "We will not handle the goods of manufacturer X because we do not like the men who make his particular goods"; and in many cases where a manufacturer had a union certified to him—perhaps a CIO union—an AFL union has boycotted it, or vice versa. All over the country such things have occurred. . . . Yet the strikes have dragged on. We have tried to prohibit secondary boycotts, and we give the Board the power to decide the controversies.

Here and elsewhere the union leaders have said, "Yes; these are abuses, but leave them to us. We will get together; we will settle these abuses." But never at any time have they suggested legislation.

I say to the Senate that this bill could have been only one-half as strong as it is, if we please to call it strong, and yet there would be exactly the same opposition from every labor leader and we would have exactly the same propaganda that is going out today against this bill. Mr. President, it is not against the provisions of this bill. They try to pick out little things here and there and try to exaggerate their importance. Mr. President, it is not the provisions of this bill that they

are concerned about; it is any legislation that would in any way reduce the power of the labor leaders. They have opposed it for 10 years. . . .

So we face here the problem of whether, the Senate and the House of Representatives having agreed upon a constructive labor measure, we are going to put that through or whether we are going to say to the labor-union leaders, "No; there is no Congress of the United States, there is no President of the United States, who dares to stand up against your power." Certainly the power they exercise today is a threat to the welfare of the people of the United States.

Certainly the bill is complicated. Why? Because the Wagner Act was complicated; and in order to deal with it, we had to amend every section of the Wagner Act. That is what most of this bill is.

I sat in the hearings on the Wagner Act in 1939, and I can tell the Senate something about the power of the first Board which was set up. Talk about the power of the general counsel under this measure. Just think of the power of that first Board, made up of the two Smiths and Madden—people who regarded themselves as crusaders to put a CIO union, if you please, in every plant in the United States. That was their effort. There was no pretense of fairness or justice. I have never known of any other case in the United States where there were such outrages or such injustices as those which were perpetrated by that Board.

The Board has gradually improved, and today we have somewhat a separation of powers. But at that time the Board was both the judge and the jury. True, the powers against labor unions which they had were not as great as the powers provided in this bill, because the powers that Board had were all against employers. In this bill we have changed that situation,

so that now the bill recognizes that there are unfair labor practices on the part of employees, just as the former bill recognized that there were unfair labor practices on the part of employers. We have tried to balance up the two. We have not made unlawful a single act on the part of employees which was not made unlawful on the part of employers in the original bill. Otherwise we have left those provisions alone and untouched, except perhaps for the provision of freedom of speech. In the United States there is a demand that we restore complete freedom

of speech to both sides, and that we have done. Otherwise there is no modification. No employer can beat down a union; no employer can discriminate; no employer can refuse to deal with a union which is duly certified to him.

So, Mr. President, I say that in this bill we have simply tried to equalize the Government's power as against the unions and as against the employers. We have tried to abolish special privileges conferred by preexisting legislation, and we have based this measure on freedom of contract and on free collective bargaining.

27. Labor, Management, and the Public Welfare

WHENEVER enough people get hurt by the actions of other people, the protection of the public interest becomes a popular issue. Whenever individuals or groups get enough power so that their actions can create havoc or happiness in the lives of many people, the protection of the public interest becomes a critical issue. Both of those conditions exist today in labor and management relations, and, true to form, all of us, including management and labor, are getting deeply concerned about the public interest.

"Public interest" can very easily be just a mouth-filling phrase signifying nothing that is real in actual life. It is important that it mean something definite and that it furnish us with a guide for action. We should not stop using it any more than we should stop using the words, "greatest good for the greatest number," or "government of the people, by the people, and for the people," or "the common good," or "the will of God." After all, these are the molds into which we pour what few but increasing ideals we have of civilized life. Such phrases define goals that are bigger than ourselves. When we move toward them, we move away from the life of the jungle toward a life worthy of human beings. But there is no magic in such words. What they describe is just what is in the minds of the people who use them. And in a democracy at least they are effective guides to public policy and practice only to the extent that a majority of the people mean the same thing when they use them.

The individuals and groups who make up the public mean so many different things by "public interest" that at the moment the words do not have much reality as a guide to public and private action. Why cannot labor leaders and management and the rest of us agree on the nature and importance of the public interest and govern our actions accordingly?

Obstacle number 1: We identify the public interest with our own. Businessmen have said, "What is good for business is good for the country." Workers or their union leaders have said, "The public good? We *are* the public!" The result is that the discourses on the public interest coming from the several interest groups in our society have borne a striking resemblance to the title of an interesting book: *An Unbiased History of the Civil War—from the Southern Point of View.*

The public interest loses much of its vitality because we use it chiefly as a standard to justify our own actions and to criticize the actions of other people. Have we not really created the concept of the public interest in our own image?

Such a conclusion involves no moral judgment about that tendency. Having put our trust in private enterprise, the public good is tied up with the successful and efficient operation of business and industrial enterprise. Having put our trust in democracy, the public good is tied up with the winning by workers and their unions of an increasing amount of security, opportunity, and participation in the determination of their own destiny. But when the good which each seeks collides with that sought by the other, and each supports his case as in the "public interest," that phrase becomes more of a slogan than a standard.

Obstacle number 2: Management and the leaders of organized labor are involved in a basic shift in the balance of power and prestige. Had the issues between management and labor been merely wages, hours, and working conditions, particularly since 1930, there might be some chance of early reduction of the residual bitterness or elation which makes peaceful action difficult. The main battle, however, was and is over a shift in power and prestige in industry and in the community between the leaders of business and industry and the leaders of labor. Both of them know it. The rest of us know it. The leaders of labor have risen rapidly in their ability to influence the course of events in this country. Their gain has been at the expense of some of the power and prestige formerly possessed by management and owners.

A century and a half ago business enterprisers offered the same challenge to the landed gentry. In those days businessmen were in the saddle riding their steeds with enthusiasm toward a grand and glorious new day which their efforts were to make possible. Today labor leaders are feeling the same sense of power and promise.

It is characteristic of socially, economically, and politically powerful groups to interpret a decrease in their power as a personal defeat and a threat to the whole structure of the society. It is characteristic of groups on the make to interpret their advances as a personal victory and a step forward in the march of progress. The result is likely to be an attitude of frustration and bitterness on the one hand, and of swashbuckling and self-righteousness on the other. People with these attitudes do not make good partners in peaceful activity. They will serve the public interest, if at all, only by chance.

Moreover, in the midst of such a shift, even minor issues become great; for each party knows or fears that every settlement on small matters may affect the outcome of the larger matter. Hence it is more prepared for defense and attack than for a reasonable compromise or a creative solution that benefits the public as well as itself.

Eventually, when the first flush of this battle has worn off, management and labor leaders will realize that they are not opponents who must slug it out to a one-sided victory and defeat. They will realize that they are joint partners who

can work out a live-and-let-live policy; they will accept a shift in the balance of power as an historical fact without bitterness or swashbuckling; and they will adapt themselves to the new status and responsibilities it involves. Until that time, however, the shifting balance of power and prestige will be a major obstacle to peaceful relations.

Obstacle number 3 is closely related to the second one. Here are two major forces, two important economic groups, engaged in a struggle for a new balance of power. Neither of them has a clear-cut notion of what the revised balance should be. Neither do the rest of us. No one is sure what kind of outcome would be in the public interest and promote continuing peace. Labor wants each issue to be resolved so that the balance of power swings in its favor. Management is trying to hold on to what it has. The rest of us incline to favor one or the other according to our background, training, and philosophies. But we really have no common public standard by which to judge whether the settlement of specific issues or their effect on the loss or gain of power by management or labor would usher in an era of peace or start us on the road to a bigger war.

What proportion of the product of industry should go to those who invest their money in an enterprise, what proportion to those who invest their skills? Are present differentials in income and security among those who supply skills of management and those who supply skills of tool manipulation the proper ones? Is the present participation of management and workers and unions in "running the business" satisfactory? In degree is the participation of each party too much, or too little, or just enough? Are the rights of property and of working persons properly balanced, particularly in corporate enterprise? How far and by what methods should the several parties be permitted to change their relative bargaining strength by bringing influence to bear on government or on the general population?

There is no well-defined body of opinion on such questions. Yet those are the basic questions at issue, one or more of which is involved whenever a trade agreement is negotiated, a union demands recognition, a strike or lockout is called, or lines are drawn in a legislative battle. It is difficult to find men who can represent the public in resolving such issues because the public furnishes them with no well-defined standard for decision. Lacking such a standard, the issue is settled in terms of a compromise of opposing pressures, as a victory for the strong, a defeat for the weak, as indeed it must be in such circumstances. It will continue to be settled in that way, with the public interest and the cause of peace being served only accidentally, until the leaders of labor and management and the rest of us have a clearer sense of the direction in which the new balance of rights and obligations tends.

Moreover, large and small issues will continue to be settled that way until we have reduced the fourth obstacle, our traditions and habits of force and violence. Skill is developed by practice. When we are pushed too hard, we fall back on the skills to which we are accustomed. As a people we have had a tremendous amount

of practice in the use of force. The use of force is rooted deeply in the experience and traditions of our people. In parts of our country only lately emerged from a frontier stage, guns, although not much more explosive than words, frequently decided the issues. Some of our grandfathers defended their claims of land against the Indians by force. Some of our fathers who were farmers defended their land against the cattlemen with guns. The parties to union-management relations have within the last decade finished a period of civil war in which few holds were barred. The traditions of both sides are those of combat. The effective and ofttime ruthless exercise of economic power and force characterizes the heroes of both groups.

The present generation of labor leaders particularly has been trained in a school of hard knocks which has instilled in their memories the conviction that labor relations are a battle. Theirs is the tradition of a struggle for existence, with the power to enforce settlements the chief guarantee of getting them. The words "crusade," "fight," "battle," which fall so easily from their lips, are not mere words in their vocabularies, but symbols of the kind of job they have been taught by experience to believe is theirs.

Men on both sides thrill to the tales of conflict and reflect in their estimates of the other the influence of the fact that he once was, or still is, considered an opponent or enemy. The psychology and techniques of battle are still dominant. The battleground has been their training ground. They are insecure about the armistice terms they have signed. The men in charge on both sides still have the smoke of battle in their eyes.

Some of this obstacle will be reduced by time, as men who have been trained in the arts of peace replace those who have been trained in the arts of war, and as men replace the experience of battle with merely the memory of battle and the experience of successful negotiation. The hope for peace in the future is in the hands of men in management and labor unions who recognize that the end of free management and free unions alike is inevitable if open warfare between them continues. It lies in the hands of those who in the face of this danger have a dominant will to peace and are willing to pay the price.

All over the United States men are showing that will to peace without fanfare. Each year while a few big battles catch the headlines, literally tens of thousands of contracts are negotiated without open conflict, and millions of grievances are set right through lawful procedures. From the union halls and the places of industry where this is done are coming the traditions of reason and peace, are coming men on whose conduct such traditions and training are more compelling than the experience of battle.

The task of transforming the interest of men and groups of men in their own welfare to a concern for the public welfare is no easy matter under these circumstances. We cannot permit ourselves to quit the task, however, in the face of difficulties. The following selections are designed to stimulate thought on this problem. What are the standards by which the public welfare can be measured?

What are the types of actions of the parties to industrial relations which can be challenged as contrary to the public interest? What considerations can motivate the parties to assess their actions in terms of their impact on the community? What practical steps may be taken to improve the chance that the public interest will be served?

E. WIGHT BAKKE¹

The Public Interest in Labor and Management Relations

At the risk of sounding abstract, I'm going to state what I think is the most concrete definition possible of the public interest. The interest of each of us and all of us is rooted deeply in the survival and improvement of our kind of society defined economically as free enterprise, and politically as democracy. I'll get down to cases in a moment, but I want to drive that major interest and objective home. The hopes and ambitions and achievement of every American have to be worked out within the framework of principles, rules, and institutions that we call American society. If that framework is solid and strong the individual's chances are good. If it is spongy and weak his chances are poor. It holds together his varied personal and social activities and thoughts and gears these into the efforts of other Americans. Every plan we make, every decision, every act is based on the assumption that other people will behave in a way consistent with the principles or benchmarks of American society.

As a member of a family my individual ambitions are affected for good or ill by

the stability of that family. As an employee of a firm my individual achievement is geared to the soundness of the firm. As an American citizen I rise or fall with the strength or weakness of American society. None of us is a self-made man. Our fate is inseparably bound up with the fate of the society of which we are a part.

We don't always act in a way which preserves and strengthens the principles on which American society is organized. But those principles give us a sense of direction. We know when we move in that direction that we are acting as good citizens and that when we don't we are being poor citizens.

But someone will say, "We don't have any uniform, universal principles. We are a heterogeneous, polyglot people. Variety, not uniformity, is our chief characteristic." Recognizing the truth in that statement, I would still say, if it is the *whole* truth, we are whipped before we start in any attempt to define the public interest. But I don't think it is the whole truth. There are some very basic requirements that most of us would agree provide signposts along the road to a strong American society and that the public interest lies in moving in the direction indicated by those signposts. What are they? Let me name only five and set our practice in labor and management relations beside them.

Consider the first guidepost. For better or for worse we have committed our progress as a nation into the hands of *all* the

¹ From a speech delivered before the Cleveland Alumni Forum, 1946.

people instead of into the hands of a chosen few. When we do anything to block the release, development, and expression of the socially useful initiative and abilities of any citizen we are violating that principle, we are cutting our own collective throat.

Let's take the relation of unionism to that principle first. It is my judgment that unions on the whole have provided a means of expression and effort for the great masses of working people in this country which they would not otherwise have had. Unions are geared to the realities of workers' capabilities, their chances for growth, their way of life, and above all, geared to the fact that the vast majority are going to remain workers all of their lives. The chance for self-expression, for training in political activity, for knowing what the score is, for having physical needs met has been increased over what it would be had there been no union movement. The weaving together of the energies of millions of workers in this movement has both in the doing and in the industrial and legislative results helped to further this requirement of our society.

Having come thus far and accomplished so much, one might suggest, however, that union leaders consider whether certain tactics do not operate in the opposite direction. Some specific tactics which might be justified in the infancy and childhood of unionism as a necessary means of growth may be outdated when it has attained to man's estate. Are the limitation of members, particularly under closed shop conditions, and the exclusion of Negroes in the public interest now? Are make-work policies or secondary boycotts which limit production of goods and services which the people need, or make them more costly, really in the public interest? Are industry-wide strikes that cripple the whole economy? Is opposition to technological changes? Have the

union leaders always considered whether management has enough free rope to play with in order to make *their* maximum contribution to the progress and productiveness of our industrial operations? Management is a part of the people also. Have union leaders considered whether either workers or management can give their best in an atmosphere of conflict which they sometimes encourage by careless and ruthless attacks on management's integrity?

Now consider management's relation to this principle. Management of business and industry has operated enterprises which give not only their own group but millions of employees opportunities for self-development they would not have had if we had remained an agrarian nation. The goods and services produced, the institutions supported by corporate contributions have amplified this contribution with respect to a much larger group of beneficiaries.

But has management always been a supporter of the principle of releasing and improving and utilizing the abilities of *all* our people? Was the bitter battle against recognizing and dealing with unions, and is whatever remains of that activity an example of such support? Are the more dogmatic positions taken concerning management prerogatives, the forbidden areas of operations into which unions must not go, always consistent with improving the capacity of union leaders and workers for larger responsibilities? Are layoffs and discharge and scheduling of production always managed in such a way as to conserve the working skills and energies of the largest possible number? Are hiring policies and preferences not sometimes a barrier to the development of the capacities of certain individuals and minority groups? Has the attitude toward social insurance been motivated as thoroughly by the desire to conserve and improve the nation's human

resources as by the desire to save on taxes? Does restriction on production or failure to distribute what has been produced in the interest of higher prices and does the utilization of patent rights always get the maximum possible goods and services into the hands of the people with which they may improve their health, security, and the chance to grow and contribute more to the general welfare?

I understand thoroughly the compulsions on both unions and management in competition with each other and among themselves to play the game as hard as possible toward individual victories. But if their own success is offset by too great an amount of frustration and suppression of the potentialities of others, does the public really gain? Both have much thinking to do about the kind of fair competition which advances that public interest. For that interest is rooted in the commitment of our destiny to the release of the maximum initiative and ability in *all* our people.

Now consider the second guide post. In our culture we put our trust in individual freedom to maximize progress. But individual freedom does not state the principle in its entirety. Without opportunity to share in determining one's own destiny, freedom is an abstraction. Without self-discipline under commonly accepted rules it is anarchy.

Collective bargaining and political action are devices to permit men to share in making the rules which discipline their individual freedom. It was, I think, inevitable that men should use such methods for making rules for human relations in industry. That was the first task. But the workability of the process and the consistency of the rules with the public interest depends on the self-discipline of the rule makers. He who would not have a master must be master of himself.

This leads us to the third major feature

of our society, the preservation of which is in the public interest. *We count on contracts and law to implement both freedom and discipline.* Both are important elements in the social cement which holds our society together. But freely negotiated contracts are often alternative to law. One of the tendencies which a freedom-loving people must guard against is the utilization of law to govern relations which could more satisfactorily and properly be governed by freely negotiated contracts. Management and unions can limit the growth of inhibiting legal rules by making contracts effective. To the extent that they learn to operate under contracts, to the extent that they write contracts designed for mutual advantage as well as mutual control, and recognize the impact of their deals on the people not parties to the contract, to the extent that they live up to their contracts, they can avoid regimentation of their relations by public law.

The effort to make contract an effective instrument in labor-management relations is therefore a major contribution to the smooth running of our society and its stability—and to its freedom. Any management or labor leader who plays fast and loose with contract negotiation or observance is throwing sand in the gears. Statesmen on both sides will hesitate to do this for any short range advantage. The public interest is bound up with the strengthening of contract-making and observance in labor-management relations.

But contracts can't cover all labor-management affairs which concern the public. Even the best contract-making and observance would not eliminate the necessity for public law. Imperfect as it is, both in process and result, the making of laws and their enforcement are still the closest approximation we have to an expression by the *whole* people about their interests

and the kind of behavior which they believe to be consistent with those interests.

I would plead with management and labor leaders not to misread the signs of the times nor to underestimate the temper of that large part of the public (including non-participating employers and workers and union leaders) who are not directly involved in any particular dispute or issue. The recent labor legislation, improving the condition and increasing the power of workers and unions and placing restrictions on management, was not stimulated merely by the visionary benevolence or political sagacity of the New Dealers, nor by the overwhelming pressure of labor lobbies, but by a deep-felt need of a great multitude of American citizens for security and a voice in their own affairs and a reduction in industrial autocracy.

Likewise the bills labeled as 'anti-labor' in recent times are not stimulated merely by labor haters and die-hard reactionaries. They reflect a growing conviction on the part of a great multitude of American citizens that some unions have been acting contrary to the best interest of the whole people, and that if they are not ready to correct their ways, the government should place hands upon them. They reflect a conviction that unions are no longer underprivileged children, but grown men who must accept the responsibilities that go with maturity and strength.

Labor-management relations affect the welfare of all our people so critically that they must operate under publicly approved codes. Individuals and groups without power to affect the life and happiness of the whole population, or whom the public doesn't recognize as the possessors of such power, may escape public control for a period. But both industry and organized labor have that power today and everyone knows it. The abuse of that power speeds

public control, but the possession of power itself and the possibility of its abuse are enough.

The use by management of its power to destroy unions, and their failure to discipline themselves in accordance with the obvious trend of affairs toward greater organization of labor resulted in the National Labor Relations Act. If labor organizations use their power to hamstring and destroy management's chance to operate efficiently, if they fail to discipline themselves in accordance with the necessary trend toward partnership in responsibility, if they consider the public need for goods and services as pawns in a game rather than as one measure of their responsibility, nothing will prevent history repeating itself.

He who would not have a master, must be master of himself. Powerful and influential as management and union leaders are, they *are not* and *cannot be* in a democracy more powerful than all the people.

Yet a public code is seldom long effective if devised in anger and utilized in punitive or unauthorized ways not intended by its framers for gaining an unfair selfish advantage. Legal codes, instruments, and immunities, fair and sound in themselves, can be perverted to selfish ends damaging to the public interest. The doctrine of conspiracy became a parody on justice when applied to the organization of workers and their tactics. So did injunctions. Much labor opposition to any and all public regulation is rooted in the memory of how easily such public codes and instruments can be perverted to private ends.

But the law requiring noninterference by management in union affairs can also be utilized to create an injustice. The right to refrain from work, or to persuade other workers to do so, or to boycott can be

used contrary to public interest. The right to act in concert, in multiple plant bargaining, free from antitrust controls, in dealing with an employer can become damaging to the public interest when the action hurts the public more than the employer.

Hazy as the public interest may be, unions will find, as management has found, that such interests will get transformed into a set of rules defining the public's rights by placing obligations upon any organization powerful enough to challenge the comfort, security, and well-being of all of us. The pressure for such action will be proportional to the threat of particular tactics constituting the challenge. We have now enacted into state and federal legislation such a set of rules for the operation of unions. I would predict that unless the rules are not limited to those areas in which the comfort, security, and well-being of *all* of us are thoroughly involved, they will cause more strife than they eliminate. One such area is the use of the strike to stop production and distribution of goods and services in those industries where management would not be permitted to stop operations. Another is the use of force in industry-wide bargaining.

That brings us to the fourth requirement for the survival of our form of society, an initial and growing reliance on reason rather than force for changing the balance of advantages and rights. It would be silly to state this requirement in any stronger form as a principle of our society. Reason does not dominate all our actions. The use of force is rooted deeply in the experience and traditions of our people.

Make the case as to past and present practice as strong as you will. View with the most cynical eye the chance for future

settlements by reasonable means rather than overt or subtle force. Yet will anyone ignore the threat to our way of life which raises its head when force unbridled by reason is set loose in industrial disputes?

I'm not going to underestimate the social progress incidental to the use of the strike and the boycott nor the economic progress made through operations of management which, incidentally, involved the most ruthless forms of competition with other managements and with unions. We need not make a judgment on the progress resulting from previous wars in order to judge another war a threat to our civilization and a long step toward barbarism.

But warfare isn't eliminated by wishing it away. Habits of co-operation have to be learned from the successful practice of co-operation. Responsibility must be developed from the exercise of responsibility. If men are to act reasonably they must have the facts with which to reason. If reason fails to provide a solution in private negotiations men cannot continue to reason unless they can present their reasoning to a neutral person or agency.

Collective bargaining is a technique of relationship which has made reasonable and peaceful settlements possible. It does not guarantee them. Do labor and management leaders really want to make possibilities into realities?

Collective bargaining has provided men with the opportunity to use their capacities for negotiation, reasoning, and co-operation. At its best it has brought out and developed such potential abilities and raised to leadership in both organizations diplomats instead of soldiers. But in many quarters it is still considered a preliminary skirmish to an open use of force. If the results which they hope could be had from a strike or resistance to a strike can be had in the bargaining table skirmish well and good. If not they are ready for

battle. Do the leaders on both sides really want to eliminate threats of strikes or close-downs or other uses of force as dominating considerations in bargaining? Are they really determined to make the conference table the place of final decision except in the most extreme differences between them?

Is management ready to integrate union officers in the operations of the business not with an attitude of surrendering prerogatives but of making an opportunity for these officers to learn responsibility through having to face responsibility? Are union officers willing to accept such integration not as a chance for power over management but as a chance to develop the responsibility and skill necessary for such participation?

Is management ready to lay on the conference table the verified facts without which men cannot reason? Are union leaders ready to accept such facts as revealing what is reasonable and possible?

Are both groups willing to submit unresolved differences both as to rights and to interests to a neutral agency for decision? At the moment the fact is that both fear a strike or lockout less than they fear the submission of their differences of interest to the binding decision of a third party. Each is willing to do that only when he believes he can get more that way than he could by the employment of force.

I am certain that the agencies for peaceful settlement of disputes for mediation, conciliation, and arbitration are not adequate. We have made definite progress in the procedures and techniques of collective bargaining, in the development of the trade agreement, the grievance procedure, umpire, and arbitration techniques for resolving differences arising during the life of the contract. But the means for resolv-

ing the disputes over the balance of rights and power which arise when unions, and particularly competing unions, demand recognition and union-security, and when new agreements are being negotiated are inadequate. These agencies for resolving disputes of interest need to be strengthened and improved, not weakened. They are the beginnings of our institutional alternatives to the use of open force and violence. The big need at the moment is machinery for the settlement of unresolved differences in the negotiation of new contracts. The strikes which have aroused so much discussion recently have been called to force issues of this nature.

The fact that we have no agencies for authoritative settlement of disputes over contract negotiations does not mean that no such agency is possible. There are alternatives to government boards of arbitration. Industries and their unions could establish such boards themselves. Government boards need not have authority to compel submission of disputes or compel observance of awards. Every time they were used voluntarily, however, one potential war would be made less probable.

No one in a free society can hope to eliminate the use of force when the issue involves a possible shift in the balance of rights and power between management and labor. But no one who has faith in the growing strength of our form of society can deny that the public interest is bound up in the reduction of the appeal to force through perfecting present means and building others through which reason has a chance to operate.

The final principle upon which our society depends for its strength and survival is mutual respect and tolerance. The road to the realization of the other principles is blocked to the extent that mutual respect and tolerance do not govern human

relationships. The public interest is bound up, therefore, with the removal of those blocks, not alone because respectful and tolerant people are easier and pleasanter to live with, but because those who act differently are a threat to the maintenance and improvement of our form of democratic living.

I can't make that point too strong. Mutual respect and tolerance are intensely practical principles. They are essential attitudes not alone because they are consistent with good manners and good ethics. Their importance lies in the fact that we can't operate a democracy effectively without them. They are not to be identified with a yielding softness of character. Hardness and toughness in bargaining are not incompatible with mutual respect and tolerance.

But I have read in union and management publications and heard in speeches and conversations in both camps, I have listened in arbitration and mediation cases to vitriolic characterizations of the other party that are incompatible with those attitudes. Whether they are a careless and irresponsible release of personal frustration, or whether they are intended to create in the minds of a larger group a picture of an enemy against whom all will unite, they are threats to the public interest. For the public interest in a democracy is geared to the efficient interaction of all individuals and groups. Lack of mutual respect and tolerance form great gulfs between people so that efficient interaction is impossible.

Granted that provocation is often great. He who would serve the public interest, however, is responsible not for the provocation but for the way he responds to it. The public interest urges mutual respect and tolerance, not because we are good men but because we have good sense.

JOEL SEIDMAN¹

Responsibilities of Unions to the Public

Public suffering during a strike cannot be measured in financial terms alone. Strikes bring with them a cessation of goods or services upon which public comfort, convenience, or well-being may depend. Particularly does the public suffer hardship if railroad, street car, or other transportation is shut off, if insufficient coal is available in winter months, or if other services of the nature of public utilities are curtailed. It is unfortunate that labor's primary economic weapon against employers should carry with it such inconvenience and sometimes real hardship to the public. The general tendency of the public is to blame labor whenever a strike occurs, though the underlying cause may be the unduly low standards of the employer and an unwillingness to raise them unless compelled to do so by strike action. Until the passage and validation of the National Labor Relations Act labor had to strike for the rights to organize and bargain collectively, as it still must strike, except during the war emergency, to obtain the various terms that it desires.

Strikes of public servants may carry with them particular danger to the community, if safety or health is thereby endangered. Very seldom have strikes of police exposed the public to danger from lawless elements, though one such instance was the Boston police strike of 1919. The public health has been endangered more frequently, as by strikes of garbage collectors, and strikes of firemen have also occurred. In addition there have

¹ From *Union Rights and Union Duties* by Joel Seidman, copyright 1943 by Harcourt, Brace and Company, Inc., pp. 107-11, 118-19.

been occasional strikes of teachers or building service workers that closed school systems, and strikes of other groups of public employees have curtailed other public services. Strikes of government employees are usually considered illegal, though this view is sharply challenged by some unionists. Whether the employer is public or private, however, certain essential services, including police and fire protection, hospitals, water, sanitation, education, and power must be provided. In these fields strikes should be outlawed, though it is equally important that just working conditions prevail in this type of employment and that adequate machinery for the prompt adjustment of grievances be made available.

Public suffering reaches an extreme in the general strike, which seeks to paralyze all industrial activity, save the minimum necessary to preserve life and health, in order to force concessions from government or employers. The first important general strike that this country witnessed occurred in Seattle, Washington, in 1919, when trade unionists struck for six days in an effort to help shipyard workers win a wage increase. On an even larger scale was the three-day general strike that paralyzed San Francisco in July, 1934. This strike was called to protest the arrival of the state militia to suppress the picket lines of striking longshoremen. More recently general strikes of short duration have occurred in several American cities, including Terre Haute, Indiana, and Peoria, Illinois, and in a number of other cities such strikes have been threatened. Usually the cause has been some action by governmental authorities against strikers which the remainder of the union movement considered a denial of labor's rights.

Whether an action of some government official or of a private employer is being protested, a general strike inevitably is a challenge to the government, for while the strike is effective the strike committee

is the master and therefore the real government of the community. Because a general strike arouses such great antagonism and because it cannot be carried on long before it collapses of its own weight, the tendency in this country is for unionists, given sufficient provocation, to call a "labor holiday" of specified duration, such as twenty-four hours, rather than to embark upon an indefinite general strike. In one such labor holiday called in Lansing, Michigan, in 1937 to protest the arrest of pickets, workers seized control of part of the city, with flying squadrons sent to close down stores and other business establishments. In this country the overwhelming majority of union leaders, and likewise of rank-and-file members, is opposed to the use of the general strike, and it can scarcely be considered an important issue at the present time.

In still another important way the public is affected by the practices of the labor movement. As consumers, the public is interested in getting an honest dollar's worth for every dollar it expends. For this reason the public does not look kindly upon the opposition of some unions to technological advance, or on such union practices as tearing out the electrical wiring from a pre-fabricated house so that it may be re-installed by a union electrician, or cutting off the threaded end of a pipe so that it may be re-threaded on the construction project by a union plumber. Assistant Attorney General Thurman W. Arnold has quoted estimates that these and other "illegitimate" practices of unions cost consumers upwards of a billion dollars yearly. There was widespread public disapproval, similarly, when James C. Petrillo, president of the American Federation of Musicians, announced in July, 1942, that the 140,000 members of that organization would cease to make records or any other form of electrical transcription of music, in order to force the em-

ployment of musicians in radio stations, bars, and restaurants. Moreover, just as unions and employers may not get along well enough, from the point of view of the public, so there is a possibility that they may get along too well, with wages and profits both protected by an unduly high price level that burdens consumers. The building trades, particularly, have witnessed the use of agreements of this type. . . .

Like every other organization in the community, the labor movement has an obligation to keep the peace and obey the law. Were public officials unprejudiced towards unions and the law fair to them, this obligation might be stated simply, with workers properly subject to condemnation and punishment whenever they broke the law. In practice, however, the issue is far more complicated, for until recently the law has been heavily weighted against labor, and in some communities that condition still prevails. Too many legislators, executives, and judges have been prejudiced against the labor movement, and have sought to use their official powers to hamper it. The worst abuses, particularly in the use of injunctions to crush strikes, fortunately are in the past. Labor has an obligation to respect the law, beyond any question, but the law must be written, interpreted, and enforced so as to deserve the respect of free men.

The labor movement, in turn, is obligated both legally and morally to keep out of positions of influence and trust persons who abuse their office for personal gain, or whose records of conviction for offenses involving moral turpitude show that they are unfitted for responsible posts. This is an obligation, needless to say, that the labor movement owes to its members and to employers as well as to the general public. Though the amount of racketeering in the labor movement has been exaggerated by unfriendly or sensational pub-

licists, it cannot be denied that it represents a serious problem, particularly in certain of the building and service unions affiliated with the AFL. It is found most frequently in certain metropolitan centers, especially New York City and Chicago, that have been under the control of corrupt political machines. In rare cases, notably that of George E. Browne of the Theatrical Stage Employees, a racketeer has risen to the presidency of a national or international union. . . .

Unions should act so as to win the respect and confidence of the general public. Contracts should be lived up to, violence avoided, and workers in certain essential services should forego the right to strike. Unions should not lower the national income by unduly blocking technological advance nor raise costs by requiring work once done to be redone. Above all, workers must keep their unions open, clean, and democratic. Only by convincing the public that the trade union movement is democratic, honest, jealous of its good name, and as patriotic as any other element in the community can labor hope to ward off repressive legislation.

HARRY S. TRUMAN¹

The Strike Crisis

My fellow countrymen, I come before the American people tonight at a time of great crisis. The crisis of Pearl Harbor was the result of action by a foreign enemy. The crisis tonight is caused by a group of men within our own country who place their private interests above the welfare of the Nation.

As Americans you have the right to look to the President for leadership in

¹ Hon. Harry S. Truman, "The Strike Crisis," *The Congressional Record*, May 25, 1946, p. 5686.

this grave emergency. I have accepted the responsibility, as I have accepted it in other emergencies.

Every citizen of this country has the right to know what has brought about this crisis. It is my desire to report to you what has already taken place and the action that I intend to take.

Negotiations between the unions and the railroad operators started in accordance with the Railway Labor Act. Twenty unions were involved. Eighteen of these unions agreed to arbitrate the wage question, and an award was made. Alvanley Johnston, president of the Brotherhood of Locomotive Engineers, and A. F. Whitney, president of the Brotherhood of Railway Trainmen, refused to arbitrate the matter for their unions and instead took a strike vote. An emergency board heard the case of these two unions and recommended the same wage increase awarded to the other 18 unions. Mr. Johnston and Mr. Whitney, however, rejected the emergency board's recommendation in its entirety. . . .

The effects of the rail tie-up were felt immediately by industry. Lack of fuel, raw materials, and shipping is bringing about the shut-down of hundreds of factories. Lack of transportation facilities will bring chaos to food distribution.

Farmers cannot move food to markets. All of you will see your food supplies dwindle, your health and safety endangered, your streets darkened, your transportation facilities broken down.

The housing program is being given a severe set-back by the interruption of shipment of materials.

Utilities must begin conservation of fuel immediately.

Returning veterans will not be able to get home.

Millions of workers will be thrown out of their jobs.

The added inflationary pressure caused

by the drop in production cannot be measured.

While the situation in our country is extremely acute, the condition in Europe is tragic. Most of our friends today in liberated Europe are receiving less than one-third of the average American consumption of food. We have promised to help the starving masses of Asia and Europe, and we have been helping them. We have been exerting our utmost efforts and it is necessary for us to increase our shipments. At this minute 100,000 tons of grain are being held up by the strike of these two unions. UNRRA has 12 ships scheduled to leave from our ports with grain. These ships cannot sail because the strike of these two unions is keeping the food from reaching the ports. If these ships are held up any longer it means that the bread supply of 45,000,000 people will be cut off within 1 week.

These people are living from hand to mouth. They depend upon weekly shipments from us to meet their minimum daily needs. This grain held up in this country by the strike of these few men means the difference between life and death to hundreds of thousands of persons. This is stark, tragic truth. If the operation of our railroads is not resumed at once thousands of persons, both here and abroad, will starve. During these past weeks I have told Mr. Johnston and Mr. Whitney of the tragedy that would result from a strike. They have refused to heed my warning. I doubt whether the rank and file of their unions have been told these facts. I am telling them now so that each one of them can face his conscience and consider the spectre of starvation and death that will result from the course which Mr. Whitney and Mr. Johnston are following.

I do not speak tonight of the situation in the coal mines of the Nation, for the men are now at work and negotiations for

settlement are now taking place between the Government and the unions.

I am a friend of labor. You men of labor who are familiar with my record in the United States Senate know that I have been a consistent advocate of the rights of labor and of the improvement of labor's position. I have opposed and will continue to oppose unfair restrictions upon the activities of labor organizations and upon the right of employees to organize and bargain collectively. It has been the basic philosophy of my political career to advocate those measures that result in the greatest good for the greatest number of our people. I shall always be a friend of labor.

But in any conflict that arises between one particular group, no matter who they may be, and the country as a whole, the welfare of the country must come first. It is inconceivable that in our democracy any two men should be placed in a position where they can completely stifle our economy and ultimately destroy our country. The Government is challenged as seldom before in our history. It must meet the challenge or confess its impotence.

I would regret deeply if the act of the two leaders of these unions should create such a wave of ill will and a desire for vengeance that there should result ill-advised restrictive legislation that would cause labor to lose those gains which it has rightfully made during the years.

As President of the United States, I am the representative of 140,000,000 people and I cannot stand idly by while they are being caused to suffer by reason of the action of these two men.

This is no contest between labor and management. This is a contest between a small group of men and their Government. The railroads are now being operated by your Government and the strike of these men is a strike against their Government. The fact is that the action of this small group of men has resulted in

millions of other workers losing their wages. The factories of our country are far behind in filling their orders. Our workers have good jobs at high wages but they cannot earn these wages because of the willful attitude of these few men. I cannot believe that any right of any worker in our country needs such a strike for its protection. I believe that it constitutes a fundamental attack upon the rights of society and upon the welfare of our country. It is time for plain speaking. This strike with which we are now confronted touches not only the welfare of a class but vitally concerns the well-being and the very life of all our people.

The railroads must resume operation. In view of the extraordinary emergency which exists, as President of the United States, I call upon the men who are now out on strike to return to their jobs and to operate our railroads. To each man now out on strike I say that the duty to your country goes beyond any desire for personal gain.

G. D. H. COLE¹

The State and Voluntary Associations

G. D. H. Cole (1889-) is a well-known English labor economist, professor of social and political theory at Oxford University, whose works on British labor history and issues have become standard in this field.

The Osborne decision, which rendered illegal the use of Trade Union funds for political purposes, was based upon a totally wrong conception of the nature of

¹ G. D. H. Cole, *Self-Government in Industry*, by permission of The Macmillan Company, publishers, London, 1919, Chap. V.

Trade Unionism. . . . The real principle at issue was greatly more important than the important special point involved. The judges, in giving their decision, were really affirming their view that Trade Union rights are purely the creation of statute law and that Trade Unions themselves are artificial bodies created by statute to perform certain functions. Some opponents of the Osborne decision, on the other hand, expressed the view that a Trade Union is not a creature of statute law, but a natural form of human association, and therefore capable of growth and the assumption of new purposes.

In short, there was really, on the one side, the view that all the rights and powers of other forms of association are derived from the State, and, on the other side, the view that these rights and powers belong to such associations by virtue of their nature and the purposes for which they exist.

Let us now try to apply the view which we have taken of the State's real nature to this particular case. Trade Unions are associations based on the "vocational" principle. They seek to group together in one association all those persons who are cooperating in making a particular kind of thing or rendering a particular kind of service. In the common phrase, they are associations of "producers," using "production" in the widest sense. The State, on the other hand, we have decided to regard as an association of "users" or "enjoyers," or "consumers," in the common phrase. If this view is right, we cannot regard Trade Unions as deriving their rights, including the right to exist, from the State. Associations of producers and consumers alike may be said, in a sense, to derive these rights from the community; but we cannot conceive of an association of producers deriving its right to exist from an association of users.

Our view, then, of the nature and rights of vocational and other forms of associa-

tion is profoundly modified by the view we have taken of the nature of the State. We now see such associations as natural expressions and instruments of the purposes which certain groups of individuals have in common, just as we see the State, both in national and in local government, as the natural expression and instrument of other purposes which the same individuals have in common when they are grouped in another way. Similarly, our whole view of the relation of the State to other forms of association is profoundly modified, and we come to see the State, not as the "divine" and universally sovereign representative of the community, but as one among a number of forms of association in which men are grouped according to the purposes which they have in common. Men produce in common, and all sorts of associations, from the mediaeval guild to the modern trust and the modern Trade Union, spring from their need to cooperate in production.

W. MILNE-BAILEY¹

New Functions of Trade Unions

W. Milne-Bailey is an English labor economist, formerly associated with the British Trade Union Congress.

If the interpretation that has been given of Trade Unionism in the foregoing chapters is correct, freedom, democracy, the refusal to accept either industrial autocracy or State absolutism have been the keynote of the history of organized Labour ever since men and women first banded themselves together to defend

¹ W. Milne-Bailey, *Trade Unions and the State*, George Allen & Unwin, Ltd., London, 1934, pp. 383-84.

their vocational interests. Today, the sway of dictatorships and the denial of the peoples' liberties threaten to extend over the greater part of the civilized world. State absolutism menaces democracy in the name of philosophies that are utterly alien to the history and spirit of Trade Unionism. At such a time lovers of freedom will seek to enlarge the sphere of all institutions that, democratic in their own working, impose a check upon the tyranny of would-be dictatorships and compel a decentralization of powers. This, indeed, is the ultimate meaning that emerges from our long survey of Trade Unionism in its relation to the State. The workers' organizations, seeking both betterment and industrial freedom for their members, have passed through a period of the State's open hostility into a period of puzzled and fearful toleration. The innate strength of the movement has defied suppression and won an unwilling recognition, but it has not established a positive status and constructive functions. Industrial conflict has become a menace to the State, but no effective steps have been taken to resolve the clash by finding an agreed basis on which Trade Unionism can fit into the economic life and institutions of the community without sacrificing its independence and freedom. This is the great task which now has to be faced if both economic and political freedom are to be made a permanent part of our national and international life. "Political and social institutions," says Mr. Russell, "are to be judged by the good or harm that they do to individuals. Do they encourage creativeness rather than possessiveness? Do they embody or promote a spirit of reverence between human beings? Do they preserve self-respect? . . . Institutions, and especially economic systems, have a profound influence in moulding the characters of men and women. They may encourage adventure and hope, or timidity and the

pursuit of safety. They may open men's minds to great possibilities, or close them against everything but the risk of obscure misfortune. They may make a man's happiness depend upon what he adds to the general possessions of the world, or upon what he can secure for himself of the private goods which others cannot share. Modern Capitalism forces the wrong decision of these alternatives upon all who are not heroic or exceptionally fortunate." Modern Capitalism has moulded the character of both individual human beings and the institutions they create, Trade Unionism included. It has forced a concentration on the maintenance of material standards and has left little or no encouragement for the creative aspect of vocational organization. As economic scarcity becomes a thing of the past and public planning replaces private Capitalism the Trade Unions will be freed for the constructive functions they alone can undertake in making industrial government truly democratic. In so doing they will not merely demonstrate the value of the vocational outlook and its contribution to economic welfare, but will provide a channel for the creative activities of the workers through which every man and woman in industry will find an enlargement of freedom and an enhancement of personality that are impossible today.

SUMNER H. SLICHTER ¹

Trade Unions in a Free Society

Modern technology has built a new type of community—a community composed

¹ Reprinted by permission of the publishers from Sumner H. Slichter, *Trade Unions in a Free Society*, Cambridge, Mass.: Harvard University Press, 1947.

almost entirely of free employees. Such communities have existed only within the last several generations. In the United States about three out of four workers are employees. This change in the nature of the community is bringing about a revolutionary shift in power from business to labor. Many kinds of employees are organizing themselves into trade unions, and these unions are the most powerful economic organizations of the time. Indeed, none of the great "captains of industry" of previous generations—the Rockefellers, the Morgans, the Carnegies, the Hills, or the Harrimans—possessed as great power over the industries of the country as that held by the coal miners' union, the steel workers', or some of the unions in transportation. A laboristic society is succeeding a capitalistic one.

How will the rapid rise of trade unions affect the operation of free institutions? The best way to answer this question is to see how unions affect the three basic problems which confront a free society: (1) the problem of developing the kind of attitudes, thinking, and institutions which enable men of different beliefs and interests to preserve good will and to handle their affairs with a maximum of coöperation and a minimum of conflict; (2) the problem of assuring a fair distribution of freedom and opportunity and preventing the abuse of power; and (3) the problem of working out a satisfactory balance between the pursuit of individual interests or group interests on the one hand and the pursuit of interests which all or nearly all members of the community have in common on the other hand.

Let us address ourselves, therefore, to the following three principal questions:

1. How do unions affect the amount of conflict and coöperation in the community and the capacity of the commu-

nity to settle issues by coöperation instead of fighting?

2. How do unions affect individual rights and the distribution of freedom and power?

3. How do unions affect the relative importance which people attach to their special interests and their common interests, and the capacity of the community to solve common problems and to pursue common interests?

The effect of trade unions upon the ability of men and groups with divergent interests to live in harmony, to keep differences to a minimum, and to settle disagreements with a minimum of conflict will depend largely upon what sort of process collective bargaining turns out to be. One extreme possibility is collective bargaining conducted on the basis of power, with each side endeavoring to get the best terms that can be had without a fight. If each side knows accurately the other's willingness to fight, no strike or lockout will ever occur. Each controversy will be settled on terms which equate the union's and the employer's willingness to fight. Collective bargaining conducted in this way may produce peace, but it will not produce good industrial relations. Indeed, a certain amount of militancy will be needed for bargaining purposes on each side. At the other extreme is collective bargaining based upon a keen desire on each side to develop and maintain good relations. If good relations are valued highly enough, changes in conditions will not be forced by threats—they will occur only after the other party has been convinced that a change is reasonable and fair. This kind of bargaining presupposes confidence by each party in the reasonableness of the other, in the willingness of the other to face facts honestly, and in its desire to be fair.

Collective bargaining in practice is a mixture of these two extremes. The more

closely collective bargaining approximates the second extreme, however, the greater will be the contribution of trade unions to building a community in which men and groups with diverse interests live in harmony. The character of collective bargaining depends upon a multitude of conditions which will vary from plant to plant and union to union. Let us examine briefly some of the principal conditions which determine the way in which collective bargaining works:

(a) *The number and importance of interests which the union and the employer have in common.* Common interests limit the willingness of each side to press for conditions in the labor contract which are favorable to it and unfavorable to the other side. Interests, of course, are determined in large measure by scales of value. For example, the higher the valuation placed by workers upon the long-run effects of union policies, the greater is likely to be the community of interests between themselves and employers.

The number and importance of common interests also depend upon the market structure within which bargaining occurs. Let us assume that a craft union negotiates with an employer over the wages of a small fraction of his employees. The union will ordinarily be little interested in the effect of the wages of its members upon either the employer's costs or his price policies. If the employees in the enterprise are represented by a number of small craft unions, wage costs and the total size of the wage bill may have little effect upon the positions taken by the several unions. On the other hand, a truly industrial union may well be greatly concerned with the effect of its wage policy upon the employer's costs.

(b) *The relation of the cost of strikes and lockouts to the gains of victory.* The higher the cost of strikes or lockouts relative to the probable gains, the farther

union representatives and employer representatives will be willing to go in making compromises. Of course, the cost of strikes has an effect only to the extent that men and management are aware of it. . . .

(c) *The kind of men who become heads of unions and of enterprises.* Widely divergent qualities help men rise to the top in business organizations and unions. Some get ahead because they are tough and ruthless seekers of power; others because they are able to make friends easily and to build effective team work. Some leaders of unions and business enterprises are men of social vision and high responsibility; some are shallow demagogues. Any of these qualities may help a man to win and hold union office, or to rise in the business world. Industrial relations are bound to reflect the innumerable combinations of character and temperament in the leaders of the two sides.

(d) *Political conditions inside unions.* Union officers who are fearful of losing their jobs are likely to be messenger boys rather than negotiators. They dare not be influenced by facts or arguments, they are little interested in understanding the employer's problems, and, above all, they are unwilling to carry back to the rank and file information about the employer's problems or recommendations that the union make concessions or accept compromises. Hence the weaker the political position of union representatives within the union, the more conflict and the less coöperation there will be between the union and the employer.

(e) *The ambitions of union leaders.* Some leaders are content with their positions in their own unions and other leaders are in a hurry to get ahead in the labor movement and to win greater influence and prestige outside their unions. The desire to achieve a quick rise in the labor movement is likely to place a premium

upon toughness and upon winning immediate concessions from employers to the neglect of the long-run effects of a given settlement.

(f) *Rivalries between unions.* Most of the 190-odd national unions in the United States live together in peace and harmony, but among some of them competition for members is keen and bitter. Furthermore, competition between unions is growing rapidly in extent and bitterness. So long as nearly all unions in the country were affiliated with the American Federation of Labor, relations between unions were governed by the principle of exclusive jurisdiction. According to this principle the union which men join is primarily the concern of the labor movement rather than of the men, and each union affiliated with the Federation has the exclusive right to organize the workers in given occupations or industries. The principle goes back to the origin of the Federation, and it worked quite well for many years. Technological changes and the development of new industries, however, gradually made obsolete the pattern of jurisdictional lines established over fifty years ago. Eventually there was a revolt and the formation of the CIO. Old-established boundaries between unions are now held in low esteem, and much organizing effort is devoted to persuading men to leave one union and join another—even when both unions are within the same federation.

How do trade unions affect the distribution of rights, opportunities, and power in the community? Do they help achieve a more satisfactory and better balanced distribution of rights, or do they create the need for a new distribution?

Through trade agreements with employers, unions have provided (1) a framework of rules which are binding upon managements and within which managerial discretion must be exercised, and (2)

ways by which the exercise of managerial discretion may be reviewed and injustices corrected. These rules and procedures introduce into industry the equivalent of civil rights, and they greatly enlarge the range of human activities which are governed by rule or law rather than by whim or caprice. All of this represents a major contribution toward building a better civilization—probably the greatest achievement of trade unions.

The rise of trade unions raises many problems concerning the relations of individual union members to the unions themselves. Whenever powerful organizations grow up, too much emphasis is likely to be placed upon the interests of the organization as such or upon the interests of its officers and too little upon the interests of the people whom the organization is intended to serve. . . .

No one can dispute the general principle that all occupations and industries must be open to all employment-seekers regardless of race, creed, or sex and regardless of ability to pay more than a nominal admission fee to a union. Unions started out as small private clubs, and a few of them took pride in being exclusive, but the rise of large unions and the widespread use of the union shop and the closed shop have made the "exclusive club" idea of unions obsolete. Wherever a union imposes a union shop or a closed shop, its admission requirements become affected with a public interest and the union becomes a quasi-public organization. . . .

The widespread requirement that workers maintain good standing in the union in order to hold their jobs (represented by most maintenance-of-membership clauses, the union shop, and the closed shop) causes the administration of discipline by unions to be affected with a public interest. Indeed, it is estimated that about 11 million employees work under arrange-

ments which require them to maintain good standing in unions in order to hold their jobs. . . . Unions have the problem of protecting themselves against members who are agents of employers or of outside political groups or who are irresponsible cranks, but arrangements which permit unions to deprive members of their jobs for "slandering an officer," "creating dissension," "undermining the union," and for similar undefined or indefinable actions are a potential threat to a healthy political life and can easily be used by dictatorial administrations to suppress revolts. . . .

Of late years there has been a growing tendency for the national officers of unions to place local unions in national custody—that is, to appoint national representatives to take over and handle the affairs of the local. Authority to do this is needed because local officers may abscond with funds, sell out to employers; or refuse to execute national policies. Nevertheless, locals may be seized in order to stamp out incipient rebellion against the national officers and to avoid the trouble of operating a democratic organization. . . .

The organizing methods of unions frequently show scant respect for the rights of individuals and the rights of other unions. As rivalry among unions has grown and respect for traditional jurisdictional lines has declined, unions have made freer and freer use of economic coercion to compel men to join a certain union or to abandon one union and shift to another. . . .

The interdependence which modern technology has introduced into the community enables a relatively few men by stopping work in concert to throw many thousands of others out of work and to imperil the public health, the public safety, and the general welfare. Unions are able to cut off large cities from gas or electricity, and, therefore, not only from light,

but also, for many people, from heat and refrigeration. They can stop the trucks which deliver milk and food, they can cut hundreds of industries off from the flow of steel or coal, they can limit the output of steel for many months by stopping the flow of iron ore, they can deprive the country of railroad transportation or of telephone service. A few unions are in a position to cripple or halt the operation of government departments.

Some unions in strategic positions (policemen, firemen, and some government employees) have provisions in their constitutions prohibiting their members from striking. For many years, the railroad unions observed a sort of unwritten law that nation-wide railroad strikes would not be called, and a similar restraint seems to have existed in the electric light and power industry and the gas industry. During the last year, however, unions in key positions have shown a reckless willingness to inflict calamitous losses upon the community in order to get preferred treatment for their members, in order to win trivial gains, or in order to compel the government to make changes in public policy. The elevator operators in New York tied up elevator service and threw a million people out of work in order to force a larger wage increase than the National War Labor Board had awarded them. Last spring the subway employees of New York City threatened to strike if the city carried out a plan to sell a power plant to a private buyer. The plan was abandoned. Two transportation unions stopped the nation's railroads because an emergency board appointed by the President awarded them no more than a board of arbitration gave eighteen other railroad unions. Four hundred thousand coal miners, after rejecting a wage increase of 18½ cents an hour, threw millions of non-miners out of work in order to win gains for themselves beyond those achieved by

other unions. The employees of the Duquesne Light Company rejected arbitration, crippled light and power service in Pittsburgh for a month, and for part of the period threw more than 100,000 people out of work. The strike occurred six months after the employees had received a wage increase of 18 cents an hour. This fall the coal miners cut off the country's supply of coal for a second time, in an attempt to compel the government to accept Mr. Lewis' interpretation of their contract with the government—although the only binding interpretation of the contract could be made by the courts. The reckless and irresponsible use of the strike which has occurred so frequently in essential industries during the last year calls for well-planned and vigorous action to defend the public interest. The rise of unions confronts the country in a new form with the old problem of controlling the use of great concentrations of economic power.

How do trade unions affect the scales of value in the community and the relative importance attached by people to their special interests and to their common interests? So long as competition in selling labor was prevalent, the relative weight attached by individuals to their special interests and their common interests was not important. Will the growth of unions mean that workers are taught to think narrowly of their interests as carpenters, miners, and steel workers and to be little concerned with their interests as members of the community?

The importance of these questions can scarcely be exaggerated. More vigorous pursuit of special interests by 190 national unions cannot be expected to increase the total income to be divided. Indeed, the great interdependence which modern technology has introduced into the community makes the level of the national income depend upon the willingness of

many diverse groups to exercise restraint in pursuing special interests and to cooperate in advancing their common interest in a larger national income. The capacity of groups to cooperate, however, depends upon their preferences or scales of value. They may prefer to put more time and effort into fighting over the division of a small income, and less time and effort into cooperating to increase income.

Certainly the possibility is great that the growth of trade unions will substantially strengthen the forces of particularism. Unions are intended to be organizations which advance special interests of their members, and no union is large enough to be greatly concerned with the effect of its policies upon the community as a whole. . . .

What can the community do (1) to cope with the problems created by trade unions and (2) to make unions better instruments for helping a free society to realize its ideals more completely? Let us again consider the three basic problems of a free society: (1) the problem of achieving and maintaining goodwill and harmonious relations among men and groups with divergent preferences and interests; (2) the problem of distributing rights and opportunities fairly and of controlling the use of great concentrations of power; and (3) the problem of striking a reasonable balance between special interests and common interests and of building effective cooperation among divergent groups in the pursuit of common interests.

What can be done to make collective bargaining a more effective instrument for enabling men and groups with divergent interests to live together harmoniously? Widespread knowledge of the results possible through bargaining would help because it would introduce much-needed realism into negotiations. It would also prevent workers from expecting too much from bargaining and would keep them

from becoming bitter and disillusioned when bargaining failed to justify their hopes. For example, employees can expect to gain little by appropriating income at the expense of property because only about one fifth of the national income goes to property. Small reductions in the rate of return on property might raise the disposition of many people to save. Even this gain, which would be an uncertain one, would be offset in part at least by the greater disposition of some people to hoard rather than to invest. Finally, labor as a whole cannot expect technological progress to raise wages more than about 3 per cent a year—unless industrial research achieves results far faster in the future than in the past. Any group which seeks to push up wages by more than about 3 per cent a year is simply seeking to raise its income at the expense of other groups.

The analysis . . . indicates that relations between unions and employers would be improved by arrangements which increase the security of union officers and which restrict the keen competition between unions. The possibility of achieving these two results will be discussed in the next section. In large measure, the problem of making collective bargaining operate with goodwill must be solved plant by plant, by methods of administration which are more under the control of managements than of unions. For one thing, unless employers inform local and national officials of unions about the problems of business which are also the problems of workers, how are the union representatives to learn about them? Although some business men have excellent contacts with local and national union leaders, most managers still have little to do with union representatives. The great shift of power from business to unions makes the traditional aloofness of managers an anachronism. . . .

If collective bargaining is to produce goodwill and mutual understanding, the parties must not be able too readily to shift to the government the responsibility of bringing about a settlement of disputes. It must not be easy for them to get the government to extricate them from difficult or extreme positions. They must not be helped to be unrealistic, extreme, and uncompromising by the willingness of the government to save their faces and to bail them out. Conciliation has its place and the government should be prepared to offer it; but it should be used sparingly. Especially during the last year, conciliation by the government has been greatly overdone. Indeed, knowledge that the government would intervene has impeded real bargaining. Cool indifference by the government to the difficulties of the parties will often have a wholesome effect upon bargaining. Furthermore, nothing is likely to be so effective in bringing about realism and frank facing of facts in future bargaining as for both parties to go through a long and tough struggle. The actual experience of a strike may be necessary in order to make both men and management realize vividly the cost of a strike. Hence, strikes are often a necessary step in laying the foundation for industrial peace.

What can be done to protect individual workmen or union members against arbitrary treatment by unions and to protect the community against the abuse of the great economic power of unions? Employers, if they would, could do much to protect the rights of individual workers and of union members within the organization. For example, they might refuse to grant the union shop or closed shop unless the union agrees to maintain an "open door." Furthermore, employers might insist that employees who are disciplined by the union shall have the right to appeal to the same arbitrator who

passes on discipline by the employer. Keeping all trades and industries open to all employment-seekers on fair terms and protecting workers against arbitrarily being deprived of union membership and hence of the right to hold a job, however, are not matters which should be left to the accidents of bargaining. The government cannot escape the responsibility of requiring that unions which impose the closed shop also maintain open doors and that maintenance-of-membership clauses, union shops, or closed shops do not expose workers to the danger of being deprived of employment without reasonable cause and without appeal to a neutral.

Unions which permit members to be disciplined for vague and essentially political offenses such as "creating dissension" or "slandering officers" should not be eligible for certification as bargaining agents in any plants where they are not now certified. Members of unions who work in union shops or closed shops or under maintenance-of-membership clauses should be given the right by the government to appeal discipline by the union involving suspension, expulsion, or fines of over a certain amount (say, fifty dollars) to the same arbitrator who passes on discipline by the employer or, in case arbitration is not provided by the agreement between the union and the employer, to the National Labor Relations Board. This Board, which now handles cases in which the employer is charged with dismissing men for union activity, is well qualified to review discipline by unions. Assuring members a real review of discipline imposed by the union is of central importance. Otherwise, either the union shop or the closed shop becomes a threat to democracy within unions.

Abuse of the custody of local unions by national unions can be prevented by authorizing the National Labor Relations Board, on complaint of members of a

local, to require a national union to show cause why the national should not be ordered to restore self-government in the local. This proceeding is appropriate because it is the purpose of the National Labor Relations Act to assure that employees are represented by agents of their own choosing. Refusal of a national union to permit self-government in a local union may deprive workers of the right to be represented by their own bargaining agents.

Democracy is not a way of life which can be imposed on the members of a union or any organization from without. All that the government can do is to give the members of unions a fair opportunity to develop democratic habits. The members must do the rest. The problem of democracy in American trade unions is made difficult by the fact that paid officers are given the responsibility of *both* making policies and executing them. Hence disagreements on policy between the national officers on the one hand and the rank and file and local officers on the other may jeopardize the jobs of the national officers. The officers are tempted to protect themselves by building strong political organizations and by suppressing opposition. The tradition that policies shall be made by professional labor leaders is so strongly established in American trade unions that new arrangements will not easily be brought into existence. Security for the officers and a better opportunity for a vigorous democratic life within the union could be achieved, however, by adopting the British practice of making the salaried officers of the union executors of policies and advisers on policy decisions but giving the responsibility for making policies to non-salaried executive boards. Under this arrangement conflicts over policy do not involve the full-time officers of the union, criticisms of policies are not criticisms of these officers, and officers

need not be changed in order to change policies.

Particularly formidable is the problem of protecting the rights of individuals, unions, employers, and consumers in the keen competition of unions for members. . . .

The problem of inter-union competition is beyond the capacity of either the labor movement or employers to solve. Only intervention by the government will protect employees, employers, and consumers from the growing anarchy in the labor movement. Both the government and the community, however, should be clear concerning the implications of a policy of intervention. An attempt by the government to prevent the use of economic coercion for the purpose of controlling the affiliation of workers would produce a head-on collision between the government and powerful union leaders who are determined to expand their unions and hence increase their own prestige and power regardless of the preferences of individual workmen or the rights of other unions. It is a grievous mistake for the government to take a position which it is not prepared to enforce with vigor and determination, and then yield to strikes against the government.

Strikes for the purpose of compelling workers to shift from one union to another or for the purpose of punishing men for joining the "wrong" union should be declared illegal. This means that the strikers will be regarded as having terminated their employment and that, if the employer rehires them, they come back with only the vacation rights, seniority rights, and pension rights of new employees. In order to prevent the strikers from bargaining with the employer over the restoration of their status as employees, it should be made an unfair labor practice for the employer to rehire them except as new employees. Picketing, payment of strike

benefits, and other activities in support of the illegal strikes should be prohibited and penalized. . . .

Most important of all and most difficult is protection of the community as a whole against the abuse of the great economic power of unions. A variety of problems are involved, but I direct attention to only some of the problems, namely three types of strikes and boycotts: strikes (and boycotts) to compel employers to violate the law (for example, to violate the Wagner Act by dealing with an agent other than the authorized one); strikes to force changes in public policy; and strikes which imperil the public health, public safety, or general welfare.

When the problem of strikes is mentioned, the suggestion is almost invariably made that the Conciliation Service be strengthened in various ways. Effective conciliation can be exceedingly useful, but in some cases conciliation is inappropriate and in other cases it is not enough. For example, if men propose to strike to compel employers to violate a law or to coerce the government, conciliation is inappropriate—at least, conciliation from government agencies. Fellow trade-union leaders may plead with the union and its leaders to do nothing reckless, but no representative of government should stoop to pleading or to suggesting compromises when a strike to compel violation of law or to coerce the government is in question. When a strike would imperil the public health, public safety, or general welfare, the government should be armed with something better than an excellent conciliation service. Centuries of experience with the effect of great power upon human beings in all walks of life show that moral suasion has never been able to prevent the abuse of power. It cannot be expected to deter powerful unions in strategic situations from insisting on their terms.

What should be done? Strikes to compel violations of law or to coerce the government present no problem. They must obviously be outlawed. They are a threat to free institutions, and calling them or participating in them is a serious violation of democratic principles. Men who participate in them should lose their status as employees, and employers should be forbidden to rehire these men except as new employees with the seniority, pension, and vacation rights of new employees. Support of such strikes by picketing or payment of strike benefits should be penalized.

What about strikes in certain key industries such as gas, electric light and power, or railroads? No one would contend that a large city could go for weeks without light and power or that the country would tolerate a nation-wide railroad strike while the two parties test which is able and willing to stand the longer shutdown. And yet thus far the public has not seen fit to take away the right to strike from any group of men on the ground that they supply goods or services which the community must have without interruption. Does this mean that the community has decided that in *all* industries and occupations the freedom of unions and employers to fight each other is more important than the need of the community for continuous service? Probably not. The man-in-the-street knows perfectly well that long strikes in hospitals, in electric light and power plants, in railroads, or even in the coal industry or the steel industry cannot be tolerated. A more realistic description of the community's policy would be "trusting to luck." The community has not wished to deprive workers of the right to strike. Consequently the public has hoped that the men in essential industries would not use the right to strike and thus force the public to restrict it or to take it away from them. The experience of this last

year, however, shows that this policy of "trusting to luck" is obviously inadequate. What should be put in its place?

Two principal policies are possible. One is to give public officials authority to deal on an *ad hoc* basis with strikes (or lock-outs) which imperil the public health, the public safety, or the general welfare. The other is to provide a special status for employees who perform jobs on which continuous service is necessary. This special status should provide special duties and special privileges for these employees. Let us analyze these two policies.

The *ad hoc* policy should be based upon a declaration of the rights of the community—a public bill of rights. This declaration should assert the right of the community to an adequate supply of essential services and commodities. It should place upon the President (or in the case of state legislation, the governor) the duty to declare that a public emergency exists when a threatened or an actual strike or lockout so seriously limits or threatens to limit the output of essential goods and services as to imperil the public health, the public safety, or the general welfare. The declaration of an emergency should require the union to rescind any strike instructions and to order back to work any members who may have struck. Union officers who failed to perform these duties or who failed in good faith to make a reasonable effort to induce men to return to work might be required to show cause before the National Labor Relations Board as to why they should not be found unfit to hold office in any union subject to the Wagner Act. Such a finding would make it an unfair labor practice for any such union to keep them in its employ. Likewise a union which failed to discipline members who disobeyed its back-to-work orders might be required to show cause before the National Labor Relations Board as to why it should not be deprived of

bargaining rights in the plants affected. Men who declined to return to work should be held to have terminated their employment, and it should be an unfair labor practice for employers to rehire them except as new employees.

Picketing in the support of strikes which have been found to imperil the public safety, public health, or general welfare should be forbidden, and likewise payment of strike benefits and other activities designed to promote the illegal shutdown. The parties should be given the option of settling the dispute by (1) continuing negotiations in their own way, (2) submitting the unresolved issues to arbitrators selected by themselves, or (3) submitting the dispute to arbitrators selected by the head of the Conciliation Service from a permanent panel maintained by the Service. The findings of the Board should be retroactive to the expiration of the date of the previous contract and should be binding upon both parties for six months. This period is long enough to enable the two parties to negotiate a lasting settlement which may be more to their liking than the findings of the Board.

The proposed policy has the advantage of being based upon a declaration of the rights of the public which virtually no one in the labor movement or outside can successfully challenge. It limits as little as possible the right to strike—imposing restrictions only in cases where the general welfare is imperiled. It is flexible. It gives public officials an opportunity to use their judgment about declaring an emergency. If an official believes that the public in a given situation is too indifferent to its interests to give proper support to him, he is not required to act. Finally, the policy works through the unions and gives them an opportunity for becoming instruments to protect the community against disastrous interruptions of service.

The principal criticism of the *ad hoc* policy is that it does not squarely face realities. The reality is that there are a few industries or occupations—such as electric light and power, gas, hospitals, railroads, possibly telephones, and, in many cities, elevators—in which the public cannot permit the parties to see which can stand the longer shutdown. Why, therefore, pretend that the men in these industries have the right to strike? They have the right only on condition that they do not use it—except on a very limited scale. Rights are given to be used. The public is not justified, however, in giving men rights which it cannot afford to permit them to use. Certainly the public is not justified in finding fault with men for using the rights which the public has given them. The present ambiguous and contradictory situation in which the public pretends that the men have rights which it will not tolerate their effectively using is not fair either to labor or to the community.

The honest and fair way to solve the problem is for the community to make up its mind concerning where it wishes to draw the line between the occupations and industries in which the freedom of the parties to fight each other is more important than the need of the public for a continuous service and those in which the need of the public for continuous operation is more important than the freedom of the parties to fight. The holders of jobs on which continuous service is necessary should enjoy a special status. In accepting employment on these jobs, workers should undertake not to engage in strikes, and no union should be eligible to bargain for workers in these jobs which does not make strikes of members in these categories a violation of its constitution. In order to make strikes uncalled for, the workers on designated jobs should be assured that their wages will be reviewed once a year and increased in proportion

to the rise in the general wage level. In addition, the "special-status" workers should be entitled to pensions of a given percentage (say 15 per cent) above the pensions provided in the Social Security Act. Railroad employees, of course, already have far more liberal pensions than those provided by the Social Security Act. "Special-status" employees should receive more liberal vacation privileges than employees in general. Violations of the obligation not to engage in strikes should be penalized by appropriate sanctions, such as the loss of status of an employee and the necessity of being rehired, if at all, as a new worker with consequent loss of accumulated seniority, vacation, and pension rights. The aim, however, should be to make the special-status jobs sufficiently attractive so that they would be eagerly sought and so that the holders of them would consider themselves fortunate and would not think of risking the loss of such good jobs by going on strike.

Should the scales of value produced by the rise of organized labor be accepted without question, or should an effort be made to prevent the growth of unionism from increasing the importance attached by various occupational and industrial groups to their special interests at the expense of the importance attached to common interests? Can the various national unions, representing in each case only a small fraction of the work force, be expected to be concerned with the broad interests of labor as a whole? What can be done to develop an organization of labor which will effectively represent the interests of labor as a whole as well as the interests of particular groups of workers? . . .

Changing the orientation of the labor movement from extreme particularism to a deeper concern for the interests of labor as a whole will not be easily or quickly accomplished. The strongly established

traditions of autonomy and independence among the several unions will be a difficult impediment. Nevertheless, one should not be too pessimistic. The University of Hard Knocks, which all of us attend constantly, is an excellent teacher. . . .

Can the community master the many problems which have been so suddenly thrust upon it by the shift of power from business to labor? Can it prevent the shift from plunging the community into frequent costly conflicts? Can it prevent trade unions from becoming tightly run oligarchies or dictatorships which have little regard for the rights of members and which tolerate little democratic activity? Can it prevent the shift from producing great aggregations of economic power which defy control by the community, or from making men narrow and parochial with little concern for their common interests and little capacity to cooperate in the pursuit of common interests?

Only time will give the answers to these questions. The difficulties in solving the problems created by the shift of power from business to labor are enormous. Solution of these problems, as I have explained, requires radical changes in the philosophy, the policies, and even the structure of the labor movement, and equally radical changes in public policies toward unions. The most formidable obstacles to these changes arise from the necessity of recognizing new facts and problems and dropping many ancient preconceptions and traditional points of view. So rapid and recent has been the shift of power that many employers and workers do not yet realize what has happened. They still regard trade unions as underdogs. They do not realize that the rise of trade unions confronts the community with the old problem of controlling great concentrations of economic power and of seeing that this power is used with due regard to the public interest. So long as out-of-

date preconceptions are widely held, the new problems created by the rise of trade unions cannot be effectively attacked.

Although the difficulties are formidable, the stakes are immense. The success or lack of success of the community in bringing about appropriate internal changes in the labor movement and in developing appropriate public policies toward trade unions will determine whether unions become powerful instruments for realizing the philosophy of freedom or whether they become a new and formidable threat to freedom.

Report and Recommendations of the Labor Committee of the Twentieth Century Fund¹

IMPORTANCE OF GENERAL ECONOMIC CONDITIONS

It should be obvious to even the most "let's mind our own business" executive, or labor leader, that it is impossible to escape the influences exerted by the interplay of general economic forces which impinge upon any particular collective bargaining process. The sooner this is realized and translated into action, the

more collective bargaining can contribute to national well-being. It is, of course, grotesque to assume a complete analysis, by every management and every union, of the effect of the general economy upon their industry, or plant, or vice versa. There are, however, certain guiding principles that can be put into practice. First among them to be re-examined, not out of a spirit of altruism, but in a mood of tough-minded self-interest, is the concept of promoting the general welfare.

When management cuts production and lays off workers but maintains prices; when unions restrict output or oppose technological innovation; when management and unions together enter into exclusive understandings to fence off, as their very own, a particular economic territory, they may be promoting their own welfare while undermining the interests of the rest of the community. But in the long run they are menacing their own well-being, their own survival, which in our kind of delicately interblended economy are inseparable from the general welfare. They are disregarding the imperatives of the twentieth century by pretending to fit them into the economic categories of the eighteenth and nineteenth. They are relying upon an outmoded approach in an economy where the interdependence of all segments makes it impossible to rely upon individualistic action alone. . . .

THE DANGERS OF HIGH PRICES

Both management and union must be aware of the danger of "pricing themselves and their product out of the market." In this connection, collective bargaining becomes a crucial instrument for sparking and stimulating the capacity use of our materials, our machines, our manpower. This function is especially important in view of the fact that the basic

¹ S. T. Williamson and Herbert Harris, "Report and Recommendations by the Labor Committee," *Trends in Collective Bargaining*, The Twentieth Century Fund, New York, 1945, pp. 222-50. Members of the Labor Committee signing this report: William H. Davis, Chairman; William L. Chenery; Howard Coonley; Clinton S. Golden; Frazier D. MacIver; Sumner H. Slichter; Robert J. Watt; Edwin E. Witte. Substantial portions of the text of the report have been omitted in this condensation.

decisions of our time are group decisions, corporate decisions, union decisions, farm bloc decisions, and not the solitary decisions of individual sellers and individual buyers.

But whatever the degree of competition, whether semimonopolistic with prices virtually frozen, or cutthroat competition of free-for-all prices, *the underlying aim of collective bargaining must be to summon forth the utmost use of our resources.*¹ *Hence when management and union get together to make a bargain, they should keep in the front of their minds that their arrangements will influence the price of the product which must be sold to a*

third party, the consumer. The consumer doesn't sit down to approve the price; but he may reject it later when he does his own kind of "bargaining." He may refuse to buy, or perhaps won't buy as much as he would otherwise if the price were more favorable compared to other claims on his income.

In other words, collective bargaining must do more than ever before to validate the precept that mass production is the Siamese twin of mass purchasing power. One can live only as long as the other is alive. That our wheels keep turning only when our workers can keep spending is a lesson bitterly learned in the depression and one that we will fail to heed at our peril in the postwar economy.

COLLECTIVE BARGAINING AND MAXIMUM PRODUCTION

¹The observation that the underlying aim of collective bargaining must be to summon forth the utmost use of our resources is a challenging one. It raises the question of the relationship between collective bargaining and the expansion of employment in growing industries. The terms negotiated by a union and the employers in an industry determine how many jobs the industry will be able to provide. How does one determine the proportions of the total wage force of the country for which each industry should provide jobs? How does one induce employers and unions to make their bargains with the national interest in full employment in mind? It could be easily possible for collective bargaining to convert increases in the demand for the product of a given industry entirely into higher wages, thus preventing it from producing any expansion of employment. It may be too much to ask that thousands or tens of thousands of collective bargains, covering in each instance only a small fraction of the labor force, be made with reference to their net effect upon the utilization of resources in the country as a whole. Nevertheless, some kind of a yardstick seems to be needed to distinguish between collective bargains which are in the public interest and those which are not in the public interest. For wages such a yardstick can perhaps be found in a comparison of wages in different industries and different occupations. An unbalanced wage structure, whether produced by collective bargaining or in other ways, will produce wage-distortion unemployment by attracting an excess of labor to industries and occupations where the terms of the labor bargain are unusually favorable.—SUMNER H. SLICHTER

In that economy, collective bargaining must be more consciously invoked by management and unions to serve a double purpose: (1) to regularize prices without letting them rise too high, and at the same time to aid in the abolition of sweatshop practices which may "anchor" prices but at the risk of reducing purchasing power; (2) to relax the rigidity of prices found in imperfect competition by putting production and employment first, rather than curtailing output to maintain a pre-existing scale even when up against falling demand. Price and wage administration today must move toward the same goal as that achieved by the automatic competition of the free (or nearly free) market, namely, the complete and continuing use of what we have in materials, machines, man power.

Only by coming to grips with this reality of our price-wage equation can the practitioners of collective bargaining prepare to translate into action the economic philosophy that alone makes sense in an

age of assembly lines and efficiency engineering. That philosophy is one of high continuous production, high profits in return for genuinely venturesome capital, high wages at steady jobs, together with an unceasing stress upon ever lowered unit cost. Otherwise we shall find ourselves straining to push back, rather than to unleash, the prodigious productive power of modern technology, while government itself degenerates into a savage squabbling between pressure groups, each intent upon enlarging its own slice of the national economic pie, rather than striving to enlarge the size of the pie itself. To produce, and produce and produce again is the sole alternative to the decay of our capitalist system, and the decline of our political democracy.

Hence, *over and above the primary prerequisites of successful collective bargaining, to date, namely the recognition that managements and unions are mutually indispensable and functionally equal, must come this new recognition that to serve themselves best they must serve the common prosperity most.* This is the great imperative of our time. It is no longer a question of lip service to social idealism, but of realistic down-to-brass-tacks appraisal of our economic necessities. Isolationism in the conduct of an interdependent national economy can be as disastrous as isolationism in an interdependent world. To face up to this exigency is less a break with our past attitudes than an explicit appreciation of conditions long implicit within our society, even when seen through a glass darkly.

WIDENING THE AREA OF AGREEMENTS

As steps toward this facing up, *the Committee recommends that managements and unions together explore the advantages arising from a wider application*

*of market-wide collective bargaining.*¹ To be sure this technique is not without injurious potentialities. It might encourage excessive and rigid prices. Unless regional and industry-wide collective bargaining fosters lower unit costs, and passes such savings along to the consumer, it could degenerate into a peculiarly vicious kind

¹ Both trade-union leaders and representatives of management point out from their practical experience important advantages in regional or industry-wide bargains. It seems to me, however, that the problems of industry-wide bargains need much further analysis before industry-wide bargaining is recommended for large industries such as automobiles, coal, or railroads. The consequences of a breakdown of negotiations in such large industries are different in kind from the consequences of a breakdown in small industries such as glass, pottery, or hosiery. On a number of occasions in recent years the nation has been confronted with either the possibility or the reality of a complete shutdown of the coal industry or railroad transportation. The consequences of such a tie-up to the economic life of the country are obviously far reaching and might easily be disastrous. I am not convinced that the community has learned enough yet about preventing strikes so that it is safe to give several hundreds of thousands of men power to interrupt production in all branches of industry by shutting down all plants in a key industry such as coal, railroads, or automobiles. The report does not come to grips with this problem. A solution of it is a prerequisite to the extension of nation-wide collective bargaining into additional key industries.

There are two sides to the argument that uniformity in wage rates, job classifications, and seniority rules are desirable in all plants in the same industry. "Invidious comparisons" may be a source of dissatisfaction, but they may also be a source of progress. The virtue of uniformity is easily overestimated. The acceptance of the proposition that conditions in various plants must be the same can become a formidable obstacle to new methods of wage payment and new methods of conducting plant operations. Furthermore, the larger the number of parties to the bargain on each side, the more strongly the cards tend to be stacked in favor of the *status quo*. It is not easy, for example, for a large number of employers to agree upon new demands. The lone pioneering employer who wishes to launch an experiment may receive little support even from other employers.—SUMNER H. SLICHTER

of protective tariff, safeguarding undue profits and wages at the expense of the rest of the community.¹

Yet already this regional or industry-wide approach, whether in peace or war, has accomplished a great deal to bring stability to coal mining, the needle trades, to shipbuilding and other industries. It provides management with predictables in labor cost. It protects the worker against the capricious wage slash and enterprise in general against the unsettling effects of bidding up wages that accompanies a period of labor shortage with its scampings and pirating. It has often promoted the introduction of laborsaving devices in a sane, "staggered" manner to cushion, or entirely offset, injurious social consequences of mass layoffs and discharges. Furthermore, since the art of business is being daily transmuted into the science of management, the components of an industry should be enabled to proceed on a more orderly basis.

Emphasis upon market-wide collective bargaining would inevitably foster the wider use of technical assistants, such as engineers, economists, and sociologists, by managements and unions alike. The Committee recommends that both managements and unions weigh the advantages of invoking this kind of aid in moving toward their collective bargaining purposes. It is apparent that, in view of the delicate interrelatedness of our economy, fact finding and fact interpretation must be the handmaidens of a market analysis more detailed, scientific, and exhaustive than ever before. Both managements and

unions need definitive data superior to that which they now usually possess.

Moreover, they must be prepared to disclose all pertinent information at their disposal. In the vivid phrases E. G. Nourse used in his 1942 presidential address to The American Economics Association: the United States community cannot permit collective bargaining to be merely a game of blindman's buff rather than an adult effort to implement illumination; the day is long past when collective bargaining can be adequately carried on in the atmosphere of a David Harum horse trade, or the chaffering of an Oriental bazaar; to the worm's-eye view of management and union, the trained economist, or perhaps a group of economists, to be paid by both employers and employees, within an industry, can add the bird's-eye view of the total situation, with its long-term implications. Certainly the use of such specialized personnel is long overdue.

BETTER ORGANIZATION FOR BARGAINING

As another concrete move toward the growth of market-wide collective bargaining, *the Committee recommends that employers within an industry associate themselves into organizations designed to negotiate with unions, not to combat them.* In this respect, the British experience offers an adaptable model. In England, for example, such employer agencies as the Railway Operators devote themselves to collective bargaining with the Transport Union. These employer groups are, in turn, banded into the National Confederation of Employers' Associations (other economic matters are left to the British Federation of Industries), which, unlike our own NAM, or Chamber of Commerce, or trade bodies, concerns itself exclusively with industrial relations. The Confederation's constituent associations of employers in various industries operate on national, regional, plant and local levels.

¹ Unless market-wide collective bargaining is completely democratic in character, it is likely to weaken rather than strengthen the democratic basis of trade unions. The further removed from the individual member is the control of the wage for his service or even of the choice of his negotiating agent, the greater the likelihood of "top controls" of labor unions.—ROBERT J. WATT

Within each affiliated industry are joint management-union councils. In short, British employers have organizations which, if transposed to this country, would be management equivalents of local unions of the AFL and CIO. Our own National Association of Manufacturers and Chamber of Commerce have no subdivisions that engage thus directly in collective bargaining.

Because with rare exceptions, we lack any such employer alignment, our bargaining is widely collective, with some notable exceptions, only on the part of one side—labor. It is not collective on the part of both sides.

In the absence of a prototype of the British arrangement for employer bargaining, or pending its establishment, *the Committee therefore recommends the formation of a national management-union council on collective bargaining.* Representation on this council would be drawn from the National Association of Manufacturers, the United States Chamber of Commerce, the American Federation of Labor and the Congress of Industrial Organizations.¹ The council would constantly examine collective bargaining agreements and methods in order to serve as a central clearing house for disseminating practices found especially efficient in pushing production, making jobs more secure, and promoting a spirit of collaboration between managements and unions. . . .

But the relationship between management, unions and government also needs to be defined. Certainly government should be prevented from continuing, or taking over, functions that can be more effectively performed by voluntary associations. Even those services of necessity carried on by government should be han-

dled not by administrators alone, but those directly affected must be allowed to share in the formulation of policy. But mere counsel isn't enough. Both managements and unions can at times contribute immeasurably to the success of government action by sharing directly in administration.

The Committee believes that collective bargaining aims are best achieved when government action on the myriad details of the management-union relationship has been reduced to a minimum. The more employers and employees depend upon bargaining by equal parties to achieve a practical compromise on wages, hours and work conditions, the more firmly rooted become the self-disciplines and the obligations to find the solutions among themselves, rather than to ask for solutions ready made.

Hence *the Committee suggests that, now the war is over, voluntary mediation boards, composed equally of management, labor and public representatives be established within every sizable industrial community.*² Such boards should adjudicate industrial disputes in their areas, and perhaps even be empowered by the parties at interest to engage in final and binding arbitration rulings.³ Such boards can be especially useful in the days when the no-strike, no-lockout pledges have expired,

² The recommendation for local mediation boards may be useful if market-wide collective bargaining is used only to establish general standards, leaving the details to be worked out locally.
—ROBERT J. WATT

³ I think it should be made clear that this is to be made on a voluntary basis. This appears from the statements made later on, but I believe it will be clearer if this fact is emphasized at the outset. It should also be made clear in this discussion that the voluntary local mediation boards are to supplement, not replace, the mediation work of the U. S. Conciliation Service and of state agencies concerned in this field. I would like to see that the Conciliation Service should likewise be strengthened.—EDWIN E. WITTE

¹ It might be in the interest of public policy to have a management-union council also consider the railroad problem.—FRAZIER D. MACIVER

and when government controls have been relaxed or abandoned. The very existence of these boards would tend to encourage localized as against federal settlement of management-labor controversy; to reverse the centralizing trends of submitting to Washington issues that can be more effectively decided in the local community.

Personnel for these boards can be drawn from chambers of commerce, local unions, state commissions of labor, civic and educational bodies, the panels of the American Arbitration Association, as well as from among those who served on War Labor Board subdivisions throughout the country. . . .

To further encourage industrial self-government with its accent upon a "settle among ourselves" approach, the Committee suggests that a second type of voluntary mediation board, to be composed of management and labor representatives, be now established within each industry. The personnel for these boards, which would exclude any public representation at all, would be drawn from employer and employee organizations other than those directly involved in a dispute.

BARGAINING AND INDUSTRIAL CITIZENSHIP

No bargain of any kind can be successful unless the parties to it adequately represent those for whom they act. In collective bargaining, where the bargaining agents speak—at least on the labor side—for thousands and sometimes hundreds of thousands, authentic representation is absolutely crucial. The representatives of the employers must truly speak for management and the stockholders who own the business, and those of labor, for the rank and file who will be affected by the agreement. Usually the employers' agents do in fact represent the employers' interests, but

their constituents are far fewer in number than those of labor bargainers and the lines of their responsibility are much more closely drawn. But, even on the employers' side, sound collective bargaining presupposes sufficient control of management by the stockholders of the bargaining firms. It must be emphasized that on labor's side sheer numbers render the situation far more complicated and the chances of inadequate representation become correspondingly greater. Back of labor's agents in collective bargaining there must be as genuinely a free and democratic union structure as workability permits.

Furthermore collective bargaining itself is justified not only by protecting the rights of labor but also by extending that diffusion of power which strengthens democracy. Collective bargaining has been, and remains, a brake against the exercise of absolute authority to hire and fire and otherwise determine conditions of employment; this authority is too great to be entrusted, in its entirety, to management alone. Indeed, collective bargaining can introduce into industrial management a number of safeguards that may be likened to our constitutional system of checks and balances. If political government requires constitutional protection against the arbitrary use of power, so too does industrial government.

In the realm of United States industrial relations free unionism is as indispensable as an independent judiciary. If capricious government is bad government, then capricious management is bad management. If an American has the right to be secure in his home, and in public places, and to speak freely, he has the same essential rights on his job.

Of course, the exercise of arbitrary authority is not confined to management. Within the union, whose *raison d'être* is

collective bargaining, the rank-and-file member in some cases has less influence with the leadership than with the employer, less to say about the conduct of union affairs than about affairs in the shop. He can be penalized for denouncing the union administration, or for forming an opposition bloc. The power of top-ranking union officials is sometimes immune to popular control. . . .¹

Even in the many unions where leadership is eager to develop rank-and-file participation, the membership meeting itself is more often a medium for endorsing, rather than forming, policy. Under such circumstances, the demagogic, the unscrupulous, even the terrorist, personality can gain a foothold. But it must be remembered that such exploit an underlying institutional condition. They are jackals feasting on the corpse of democratic participation. The question of how to rid unions of their few but sensational shake-down artists, and other symptoms of moral leprosy, merely highlights the more fundamental question of how to curtain abuses resulting from undue centralization of power in unions conducted by able and honorable leadership. If the second problem is solved, the first ceases to exist; for racketeers have never made headway in a union genuinely controlled by its own members. . . .

GUARANTEES OF DEMOCRATIC UNIONISM

To ensure that labor's agents in collective bargaining represent their constituents and to protect the individual union member in his civil and economic rights within the union, the Committee recommends the establishment of federal and state tribunals to enforce fair union prac-

*tices and to be known perhaps as fair labor practice boards.*²

They should be quasi-judicial, administrative bodies empowered to hear and subpoena witnesses and otherwise take testimony in cases where accusations of unjust disciplinary action are made. They should restore rights and prerogatives to those unjustly punished by union officialdom. They should levy heavy fines upon the guilty, or deprive them of office for a probationary period. The decisions of such boards should be final and binding, and

² I object to this proposal on the ground that: (1) it fails to describe with any assurance of safeguards that these boards will be fairly constituted now; and (2) it goes too far in granting these boards original jurisdiction over internal union disputes thereby setting aside union tribunals, instead of following the sounder practice of the courts which limit their review of the decisions of union tribunals to a correction only of arbitrary or unfair action and then only after a member has exhausted reasonably available union remedies.—CLINTON S. GOLDEN

This recommendation would put the government into labor unions and might result in *government labor unions*. If government tribunals were to determine labor union personnel practices, it would be necessary to police corporations and other voluntary associations. At least in the case of labor unions their actions are public while in many other cases the job is done in a silent but nonetheless effective way. I prefer the statement under "Bargainers Must Represent Their Constituents," which states, "The Committee well recognizes that no fiats, no courts, no laws, no external compulsions can be a substitute for genuine up-and-down membership participation, which is a change that must come within unionism itself." I prefer to allow democracy of wage earners to set up its own rules and learn wisdom by experience with the minimum of government interference.—ROBERT J. WATT

I doubt whether this should be done. It is vastly preferable that all unions themselves establish machinery and principles to accomplish the purposes set forth in this paragraph, as quite a few unions have done.

I regard it as certain, however, that unless all unions do so voluntarily, government intervention will occur sooner or later.—EDWIN E. WITTE

¹ See Will Herberg, "Bureaucracy and Democracy in Labor Unions," *Antioch Review*, Fall, 1943, which the Committee used in part in this section.

revoked only by the superior state and federal courts.

To contend that no "outsiders" should be permitted to interfere with the internal affairs of unionism is to dodge the reality of what unionism means today. The unions cannot claim public protection under the Wagner Act, and similar legislation, and in the same breath deny that the public has no legitimate concern with the way they are run. Unions are no longer strictly private, voluntary associations which a worker may or may not join. They have become semipublic, sometimes compulsory bodies. Their operations in the civil and economic spheres is unequivocally "affected with a public interest," quite as much as the sale of stocks and bonds now regulated by the Securities and Exchange Commission.

Along with such guarantees of civil and economic rights, *the Committee recommends that all union finances be under law opened to public scrutiny, as many are, and that full reports of receipts and expenditures be prepared, certified and regularly published.*¹ On the other hand, *the Committee is firmly of the opinion that incorporation of unions is an adventure in futility since incorporation is a device to limit, not to increase, liability.*

BARGAINERS MUST REPRESENT THEIR CONSTITUENTS²

The Committee well recognizes that no fiats, no courts, no laws, no external

compulsions can be a substitute for genuine up-and-down membership participation, which is a change that must come within unionism itself. The Committee is aware that such experiments in union reform as limits on tenure of office, statutory meetings, constitutional revisions, the use of the referendum and recall, all snip at the top leaves but fail to get at the roots of the basic issue: meaningful self-government.

Since the majority of faults and excesses stem from the impersonal structure of unionism itself, *the Committee recommends that United States labor leadership enlarge and intensify all present programs designed to decentralize power and function and to make rank-and-file members partners in a common venture. Delegate councils drawn from the grass roots should ascend, stratum by stratum, up through the local and regional to the general headquarters.*³ The aim here is to

of union government by establishing a government within the government but it fails to tell how this novel inner government is to be set up and what is to happen to the present governmental structure of unions; (2) its statement that the problem of member participation is to be solved by having "nearly every member" in a council illustrates the triumph of a fanciful theory over troublesome facts; (3) its statement that job distribution will be settled by "simple" seniority, i.e. the oldest union member having first claim to a job, illustrates its inaccuracy and oversimplification of difficult questions; and (4) the problems of democratic union government cannot be settled by such speculative schemes; there is no substitute for plain hard work on them, day in and day out.

—CLINTON S. GOLDEN

³ It is my belief that some unions suffer from too great diffusion of responsibility and too many elections. A workable democracy within unions, as in government, can be attained, not through diffusion of power but through making the officials who exercise power truly responsible to the membership. I doubt the wisdom of creating machinery duplicating the regular union organization. Vastly preferable, it seems to me, is the inclusion in the union constitution and by-laws and within the regular structure of the union of the safeguards which it is suggested are to be exercised through the rank-and-file delegate coun-

¹ I object to this proposal on the ground that (1) it fails to distinguish between the different problems of local and national bodies; (2) it does not allow exceptions from the necessity of financial disclosure where secrecy is essential, as in the face of employer hostility to a newly organized union; and (3) its proposed opening to scrutiny of "all union finances" is dangerous, unnecessary, loose wording. Financial regulation of business does not throw open *all* its finances to public scrutiny; it only requires certain specified reports.

—CLINTON S. GOLDEN

² I object to this entire section on the following grounds: (1) it proposes to solve the problems

enlist from each local union a group of active participants who, by their very existence, will—up to a point, at least—overcome the apathy and indifference toward policy questions all too common. Each council, or sub-group, should be entrusted with its own particular task such as seeing to it that delegates to the national convention are nominated at an open meeting, and elected by secret ballot. It should be possible to have nearly every union member active in some council.

Such local groups, and not the national and local officials, should make sure that: (1) jobs are assigned on the basis of simple seniority—i.e., the oldest union member has first claim to a job, or arrange the share-the-work system when times are hard, (2) special assessments are levied only after majority sanction, and that no member be assessed for a political or “educational” purpose of which he does not approve, (3) appropriations from union funds for any public cause, from community chest to Red Cross, be made only with membership approval, (4) all changes in the constitution be undertaken only after full debate and prior notification, (5) all minutes, records, by-laws are available to any member, (6) copies of all collective bargaining contracts be placed in the hands of every member affected, (7) decisions of the president, executive board and other official groups be printed in the union paper, or otherwise publicized, (8) members charged with offenses against the union receive a fair, open trial before a special council composed of others than those who brought the charges, (9) business agents be nominated by the local union membership, (10) a network of councils choose the committees for na-

cils. The first function suggested, that relating to the observance of seniority principles, clearly is a matter for collective bargaining between the employer and the union and must be so dealt with rather than as an internal union problem.—

EDWIN E. WITTE

tional conventions, and (11) that elections be supervised in a manner to guarantee honest expression of opinion.¹

The councils might also study and report on such issues as the Little Steel formula, arbitration, upgrading, and the like. Labor leaders have often assured employers that the way to make unions more responsible is to let them have more responsibility. This same precept has substantial merit when applied to the conduct of internal union affairs. In the days ahead, union leadership—even of the loftiest sort—will be only as effective and useful as an alert, informed, interested rank and file allows it, or inspires it, to be.

NEW SPIRIT CALLED FOR

More fundamentally, the Committee realizes that new forms are meaningless unless animated by a new spirit. The top-flight leadership of labor could do nothing better than to start to revalue some of its existing values in the search for a new conscientiousness that would not be entirely divorced from overtones of a new conscience.

But the need for that search is hardly confined to unionism's officialdom. Leaders of industry and government have a like concern. That concern should become the keystone in the psychology of collective bargaining and its appendages. The

¹I think the suggestion for “delegate councils” is too dogmatically stated, and with some of its suggestions, I would not be able to agree even if they were less dogmatically stated. This decentralizing of power and function, and making rank-and-file members partners in a common venture, could hardly be achieved unless it begins at the very grass roots—in the locals—and is consistently carried through the regional offices to the general headquarters. Only in that way, by a consistent and thoroughgoing adherence to a basic idea, would it be possible to enlist from each local union a group of active participants who would at once represent and assure the elimination of that apathy and indifference toward policy questions which too often prevails at the local level.—WILLIAM H. DAVIS

spokesmen at the collective bargaining conference, as well as those who carry out the terms of any such agreement, must authentically represent their constituencies. This is a moral obligation of the first importance. Since "all power corrupts and absolute power corrupts absolutely," the persons who exercise power for either side must be on their guard against the too-easy assumption that their judgment—because it is backed by a certain economic potency—is therefore immunized against error, against prejudice and against ignorance. It should be kept in mind that workers want to count, to belong, to be recognized for their contribution, to feel more significant than merely a badge number. More than a financial stake is involved during a collective bargaining negotiation. The decisions made affect not only the attitudes of employees in a particular plant but also countless other invisible participants.

In the light of this approach, collective bargaining should no longer be the arena in which an executive indulges in ego expansion, or a union spokesman thumps the table to swing his weight around. The employer might particularly remind himself that paternalism is a remnant of feudal days and has nothing to do with democracy. The government official might well remind himself that self-rule, even when its results seem a blunder, is infinitely preferable to any foray into the most "enlightened" statism. Unless spokesmen for Big Ownership, Big Unionism and Big Government acquire a sharper awareness of their separate and joint obligations to society all three will become like the dinosaurs which grew too big and stupid to survive. The representatives of each, sitting around the collective bargaining table, must become—more consciously than ever before—trustees of other people's money, skills, and aspira-

tions. *It is the Committee's earnest belief that this change in the moral and psychological climate of collective bargaining is vital, necessary, and long overdue.*

WILLIAM H. DAVIS, Chairman

WILLIAM L. CHENERY

HOWARD COONLEY

CLINTON S. GOLDEN

FRAZIER D. MACIVER

SUMNER H. SLICHTER

ROBERT J. WATT

EDWIN E. WITTE

J. E. MEADE¹

Maximization of Economic Welfare

J. E. Meade (1907-) is an English labor economist, director of the Economic Section, Cabinet Secretariat; he was formerly editor of the League of Nations World Economic Survey.

Before any economic system can provide the highest possible standard of living, four conditions must be fulfilled.

1. No economic resources, which are willing to work, must stand idle.

2. The available economic resources must be set to work to produce in the greatest possible quantities those products which consumers most desire; this condition will remain unfulfilled, so long as it is possible by producing less of one thing to produce more of another, which consumers desire more urgently.

3. The income of the community must be distributed among individuals in such a way that the greatest possible satisfac-

¹ From *An Introduction to Economic Analysis and Policy* by J. E. Meade, 2d ed., Humphrey Milford, London, 1937, by permission of the Clarendon Press, Oxford, p. xiii.

tion is obtained from the limited national income.

4. The standard of living will not be the highest possible, unless a proper balance between work and leisure is maintained and unless the total population and the total stock of capital are forthcoming in the most appropriate amounts.

If these four conditions are fulfilled, the standard of living will be the highest which it is possible with a given knowledge of industrial technique to obtain from a given supply of natural resources.

CLINTON S. GOLDEN
and HAROLD J. RUTTENBERG¹

Industrial Democracy

Under the system of corporate dictatorship and discipline prevailing in the basic and mass-producing industries in pre-union times, each department of the large industrial firms was set aside as an entity in itself, a small kingdom. Over this kingdom the foreman or superintendent ruled as prosecutor, judge, jury, and executioner. Several operating officials have told us that, as they look back over the period prior to signing their first union contract, they realize that instead of running one company they actually operated a number of independently functioning business enterprises. The total number of these corresponded roughly with the number of departmental superintendents, each of whom was free to hire and fire and run his department about as he pleased with a minimum of interference from top management—just as long as there was some degree of efficiency. The central employ-

ment office is a relatively new feature of industrial management. As late as two decades ago the customary way of getting a job in a steel mill was by bribing a boss.

In this type of setup the individual worker was told what to do, and he did it "or else." He was at the mercy of his boss when he had a grievance. Behind the boss was the corporate power of the company. The individual worker had behind him no power at all. He was merely a subject in the foreman's or superintendent's kingdom, and he remained a subject as long as he was a humble one. When and if he tried to get the power of the other workers behind him by organizing them into a union, he was fired. Then he was blacklisted. And when he did find employment, he was required to sign a yellow-dog contract. Some firms were less ruthless but only in method, not in substance. This was the basis on which Henry Sackson ruled. How closely this system of discipline by dictatorship resembles that of nondemocratic states is described candidly by a European university graduate who worked for a year in an American steel fabricating plant.

"The factory reminded me of a European dictatorial state, where bureaucrats plan and order, and citizens work and obey. The board of the company was the government, and the workers were the people, ruled through a centralized hierarchy of officials and controlled by a mechanized system of registration, book-keeping, time cards, and punch clocks. Like citizens of authoritarian states, we did our individual assignments without knowing their purpose. . . . The foreman was our supreme visible authority. With his superiors, we did not communicate. And the president, with his board members and directors, sat high above us like an invisible, unapproachable God."

Collective bargaining changes all this. The foreman or superintendent's king-

¹ Clinton S. Golden and Harold J. Ruttenberg, *The Dynamics of Industrial Democracy*, Harper & Brothers, New York, 1942, pp. 40-43.

dom is converted into a republic. The individual worker, supported by his fellow workers, becomes a citizen. As such he can meet his boss on an equal basis, since he has the power of his union behind him to match the company's power that is behind the boss. No longer is the judgment of the boss beyond question or his authority final and absolute. Each worker now enjoys the democratic right to seek redress of his grievances that may arise from any act of his boss: His union gives him direct access to the superiors of his immediate boss, as he can appeal his grievances to the highest company official or submit them to an impartial umpire for final settlement. Thus collective bargaining establishes an industrial citizenship for workers, enforced by the union-management contract. This parallels their political citizenship. The functions and authority of the departmental boss change under this democratic system which creates citizens of industry. Henry Sackson was a ruler of subjects, and had no patience to become a leader of citizens. So he quit. Most department heads, however, must stay on, and the success of union-management relations depends more on the ability of the foremen and superintendents to adjust themselves to the democratic principles of collective bargaining than it does on any other one thing.

In its broadest sense collective bargaining is predicated upon democratic principles. Democracy is more than a body of faith, more than a belief in the rights of man and the freedoms of citizens, more than a system to govern human relations. Democracy is a program of action. It is the active participation of the individual in the affairs of the community that most vitally affect him and his neighbors. It is effective participation in the affairs of state and the community on the basis of equal opportunity for individuals, possible

only through organizations—political, labor, and civic. It is freedom of action for the common good; freedom for the individual to be creative, both for his personal satisfaction and gain and for the enrichment of the community. Creative participation of the individual in the affairs of his fellow men, in fact, is the lifeblood of democracy. Such participation, in varying degrees, is enjoyed by the average citizen in the political affairs of his town, state, and nation. Prior to the acceptance of collective bargaining in his place of work, such participation is denied and repressed. In government the denial of such participation is political tyranny; in industry it is economic dictatorship. Collective bargaining is the democratic instrument through which all individuals in industry—workers, owners, managers, and consumers—can participate in making the vital decisions that affect the local industrial unit, the town in which its people live, right down to the roots.

The only effective way workers can participate is through their labor unions. The written collective-bargaining contract sets forth the extent and nature of such participation, which is determined at the outset by the bargaining power of the union. The written contract is a general constitution upon which a body of industrial law is built. The rules and regulations first set forth in the contract are elaborated and changed from day to day in the settlement of grievances and the interpretation of the contract. Gradually they evolve into a body of industrial common law, developed in a democratic manner. In this way workers enjoy a voice in the economic affairs that mean so much to them. And the old system of corporate dictatorship and discipline is replaced by an essentially democratic one, both in concept and in practice.

NATIONAL PLANNING
ASSOCIATION¹

Goals of Cooperation

A Declaration of Interdependence

This statement is made by men and women who, whether labeled "Business," "Labor," "Agriculture," "Republican," or "Democrat" believe that this country is losing patience with blind industrial warfare and is seeking a course of conduct in terms of reason, unity, and justice.

We members of the National Planning Association's Agriculture, Business, and Labor Committees represent no one but ourselves. We have no authority to speak for our companies or our organizations. But by our occupations and experience we think we reflect the great economic groups in America today.

In 1943 we published a *Declaration of Interdependence*, recognizing the reality of group interdependence and setting forth the goals for adjustment from war to peace. Some of those goals have been reached: there are at present more peacetime jobs than ever before within our private enterprise system. We are bungling our opportunities to move ahead toward other goals: security and stability are jeopardized.

The danger which we must now face squarely is group conflict. This danger is real and it is pressing. It is an immediate threat to the well-being of millions of consumers, workers, and investors and to our traditions of peaceful teamwork. The economic wastes and the political and social costs of mounting warfare among our economic groups are terrifying. In the

long run, they threaten our free institutions, our place in the world of nations, and our promise of a constantly rising standard of living.

The present hour calls for a searching examination of the economic scene. A technological society, such as ours, is very different from the older handicraft type of production. It is a tight, closely knit, national society, as compared to the loose, widely spread, local enterprises of former years. It is senseless to pretend that the raising of prices, the withholding of services, or the interruption of the flow of goods has the same effect on our economy as forty years ago. Production today, as contrasted to former local production, is a part of a national, even international, web of related activities.

People everywhere are in need of American production—and more production. Maximum production cannot be achieved automatically. In our delicately balanced economy, good labor-management relations are the prerequisite of full production and consequently of full employment. We learned this lesson during the war, when production miracles were made possible by people closing ranks to get the job done.

We fought for peace then. We are a group who are determined to fight for peace now. We realize that it is not enough to wish for peace—it is necessary to *will* peace.

The kind of peace we want is peace consistent with the dignity of men. We do not want government to go beyond the establishment of the rules of the game. We, acting as members of a free society, seek to maximize settlements of industrial disputes and to minimize government interference or coercion.

The will to peace with freedom means the conscious and steady removal of that slag of suspicion which fouls industrial relationships. Too much thinking and

¹ Joint statement by the Agriculture, Business, and Labor Members of the National Planning Association (unanimously adopted December, 1946), National Planning Association, Washington, D. C., 1946, pp. 1-7.

talking on both sides are in terms of the slogans from past industrial warfare. There is too little of the respect for the other party which is crucial to good relations. Management and union leaders who have attained successful industrial relations have not done so by arguing in terms of management "prerogatives," workers "interests," and union "rights." The way out of this impasse lies along the road of straightforward, honest dealings, based on facts, with logic and a spirit of reasonableness prevailing on both sides.

The will to peace with freedom calls for the development of teamwork in dealing with day-to-day problems. Teamwork is based on an atmosphere in which men know, respect, and have confidence in one another. Teamwork is developed at common meeting grounds at the plant, and at industry and national levels. We favor the concept of the continuous conference table.

The will to peace with freedom calls for the promotion of joint responsibility in achieving a common goal: greater production at a lower unit cost, with the proceeds so distributed that consuming power will remain high and that plant additions and improvements will be made.

We believe that business should be operated for the benefit of four parties: the public, customers, employees, and stockholders. And we believe that unions should be operated for the benefit of four parties: the public, the consumers, union members, and the company. Any management or any union which conceives its responsibilities toward a business or society to extend no further than its own narrow interest is an anachronism and has lost its social usefulness. If labor and management are to achieve the creative relationships which result from a spirit of partnership, "each party, while pressing his own interest, must recognize his dependence on the other, respect the survival

needs of the other, and adjust his differences by methods which will improve the opportunities of the other in attaining common goals."

The will to peace with freedom calls for the formulation of a new code of economic group behavior. Though urgently needed, we realize that this code will develop slowly. To begin its formulation, we specifically state:

We of business recognize that the major objective of management is to operate in the public interest. This involves a number of things, among which are increased productivity and consumption, and the greatest possible achievement of employee satisfaction.

Accordingly, we reject the old master-and-servant concept of industrial relations. We believe that institutions for promoting workers' interests must be developed in which they can fully and democratically participate. We consider it our responsibility to cooperate with a union if and when designated by the workers to represent them and to take no action to detract from its integrity. We accept fully genuine collective bargaining as a workable, practical, and democratic way to adjust controversies.

We believe that unions are here to stay and that management can successfully develop ways and means of living with them while carrying on its managerial tasks. The union, and through it the men, often participates in certain functions which management used to perform. There should be an understanding about the division of functions and responsibilities between management and labor.

The best way to get employees really to adopt company success as a working goal is to give them understanding of their stake in the success of the company and their responsibilities for the attainment of that goal.

We of labor believe that the basis of

America's economy should be private enterprise, with private business and industry and agriculture operating as the primary means for providing jobs and producing goods and services. We recognize that profits are a condition of business survival and a test of efficiency. We recognize that management has the job of managing the enterprise; that it must arrange the component parts—men, machines, materials, and money—so that the enterprise's economic objectives can be achieved and it can survive in a competitive market.

We think of the union as a real part of the enterprise, and we say that unions should have an interest in the survival of efficient management. We know from experience that we can expect few material gains from inefficient and unprofitable firms. The union leader should promote the welfare of the business as well as that of the employees. He should come to the bargaining table with knowledge and understanding of the problems facing management as well as those facing the employees, and be prepared to encourage employer and employee practices which will increase productivity and improve the competitive position of the company.

In order that management may efficiently carry out its responsibilities, we want it to have discretion to do the job which it can do better than anyone else—the job of managing. We think that a more clear-cut definition of the boundaries between the vital areas of managerial discretion and the areas of joint responsibility should be worked out.

We of labor have a major job in informing union members of the responsibilities which the employer is facing, the work and competitive position of the company, and the importance of the union to company welfare. We do not wish union members to feel that loyalty to the union excludes loyalty to the company. We believe that loyalty comes about

through active participation, and if unions increase worker-participation in the company's success, their loyalty to and confidence in both the company and the union will be increased.

As part of their responsibility, union leaders have the job of building solid organizations, involving rules defining their own relationship to the rank-and-file, and the development of democratic disciplines as an aid to union solidarity. Only a strong union can be a responsible union.

We think that both unions and management should always be willing to bargain collectively and both should come to the bargaining table with respect for frankness and with recognition of facts. Contracts mutually entered into should be mutually binding. Both parties should seek to administer the contract in a spirit of cooperative understanding of its effects on each other, rather than on a narrow legalistic basis.

We of agriculture in turn recognize that Agriculture, Business, and Labor are mutually dependent on each other. We recognize that farming, made up of six million units, is by its nature committed to full production. It has, therefore, an enormous stake in seeing that industry, through teamwork by management and labor, is also committed to full production in its field. Any failure by industry to reach full production is bound to deprive farmers of a fair exchange value for their products.

"If two such giants as labor and management engage in a struggle for dominance within the delicate mechanism of the American economy, neither can win and democracy is bound to lose. They will all go down together in chaos or in the regimentation which will arise from public demand to avoid chaos. Free unions, free management, free enterprise,

and a free people will survive or will disappear together."

Our immediate job is to weld a new framework of human relations on broad and cooperative lines. If we succeed in attaining this goal, we have the over-all plant organization, the managerial techniques, the skilled labor force, the raw materials, the technology, and the market to usher in a period of unprecedented and sustained prosperity.

E. WIGHT BAKKE¹

Mutual Survival

Industrial warfare will plague America until leaders of labor and management understand and respect the survival needs of each other. Management has deep convictions, born of experience, about the "principles of sound management." Labor leaders have deep convictions, born of experience, about the "principles of effective unionism." Each is convinced that if he compromises his principles he encourages a threat to his own survival. Many labor leaders believe that if unions become the kind management labels "sound," they will cease to be "real" unions. Many employers believe that if management yields much more to union pressure, it will cease to be "real" management. That belief keeps both in a fighting mood basically. Each group sees in the attitudes, actions, and policy of the other a threat to its own survival.

I am not talking about physical survival. That alone isn't what men are willing to fight for in a civilized community. They will fight to preserve the familiar

opportunities for reaching their goals: the respect of their fellows, economic security, control and independence, understanding, and integrity. They will fight to preserve in traditional form the kinds of organizations and institutions which provide them with those opportunities. They will fight for the privilege of continuing to act as they always have acted, in ways which their group considers effective and proper. They will fight to preserve the ideas, the symbols, the ritual which reenforce such behaviour and make it "right" in their eyes. The survival of this whole structure of living is what men mean by survival.

When that structure is threatened, they do not want peace until the threat is removed. That is the basic problem. Why? Because men will not cooperate with those whose actions, they believe, threaten their survival. They may have the skills and the brains to cooperate, but they will not use them for that purpose. Because arrangements for reducing conflicts through collective bargaining haven't a chance to succeed unless they are consistent with the jobs both management and labor leaders have to perform. Because agencies such as mediation and arbitration boards will not be used willingly and with confidence unless their activity is compatible with doing those jobs well. Because codes and laws will be resented at best and short-circuited and disobeyed at worst if they do not meet the fundamental survival needs of those whose actions are governed.

The basic issue in labor-management relations at the moment then, arises from the fact that each party (management and union) is concerned primarily with its *individual* survival. Its attention is focused on the means to that end. The leaders of each group are trying in every industrial negotiation and every political maneuver not merely to solve a specific problem. They are trying to solve it in a way that preserves their own struc-

¹ E. Wight Bakke, *Mutual Survival*, Yale Labor and Management Center, New Haven, Conn., 1946, pp. 79-82.

ture of living intact. They are expecting peace on terms consistent with the maintenance of their own sovereignty. Preoccupied with that expectation and the effort to implement it, they have forgotten a very fundamental truth: that sovereignty in a democracy must be shared, not exclusively possessed by a particular group. Many have neglected the fact that partnership is essential to a democratic relationship in industrial as in political and family life; and that if one would be a partner, the other partner's interest must become one's own, at least to that degree which permits cooperative effort toward a common goal.

This does not mean that the individual interests of the parties must be identical or even that there must be no conflict between them. The achievement of peace and workable arrangements in labor-management relations is not premised upon the immediate disappearance of conflict. It is not unreasonable to suggest, however, that the conflict can be conducted in an atmosphere of mutual respect without resort to the methods of open and violent warfare.

The difference in interests among workers, union leaders, and management is rooted deeply in the objectives, responsibilities, functions, and traditions of each; it arises from a difference in economic and social status to preserve or improve which the parties have developed different ways of life, supported by different philosophies, folklore, symbols, slogans, and codes. Even when they use the same words, the meaning for each differs, for the meaning is built from the facts of life which each experiences. When management, owners, union leaders, and workers use the words "wages," "production," "profits," "justice," and others, they fill the words with content that bears the mark of their own way of living. The conflict over wages, for instance, is not merely a battle over a

particular rate, but a competition among three patterns of life in one of which wages are items on the cost sheet, in another are the foundation of living, and in the third are one focus of a service rendered. But such differences and conflicts need not lead inevitably to open warfare.

Peace in industrial relations is best defined, in Sumner's phrase, as a state of antagonistic cooperation. Although pursuing each his own interest, the parties recognize their mutual dependence upon each other, agree to respect the survival needs of the other, and to adjust their differences by methods which will not destroy but rather improve the opportunities of the other.

The conditions required to accomplish such a result are many and complex. In this pamphlet I have discussed only one. But I think it is basic. It is this: that each party shall understand thoroughly the kind of a job the other has to do, his convictions about what is necessary if he is to do that job well, the way in which the nature of the job and those convictions impel him to act as he does; that each shall see to it that his action, based on that understanding, does not threaten the survival of the job or the organization with which the other identifies himself.

Understanding the behaviour of the other party does not imply the necessity for approval. One need not, and probably cannot, approve all he understands. But to know why the other behaves as he does is to be armed with useful knowledge upon which intelligent action can be based. In the day-to-day development of workable relations between management and labor it is far more important for each to know *why* the other behaves as he does than to have convictions about how he *ought* to behave. The *why* in terms of the compulsion placed upon him by the nature of his job and his structure of living represents facts which are as realistic as a pay-

roll or a power line. Knowing such facts as they are, not as one would like them to be, is the first step toward achieving industrial peace.

It is only the first step; but until it is taken, the nature and direction of further progress cannot be determined intelligently. The adjustment itself which must be made in thousands of individual circumstances is the ultimate necessity. It will test the realism of the knowledge each party has of the facts which determine the action of the other. It will demonstrate whether both really want peace consistent with those facts. It will challenge the best skills and wisdom that practical men have. It will prove whether civilized men in labor and management can supplant the techniques required for *self survival* through domination with the skills and

wisdom required for *mutual survival* through cooperation.

The task is hard, but not impossible. The chances for success are reflected in the satisfactory relations of thousands of managements and unions over the country. Whether or not they develop the will to succeed is not a matter of choice for union leaders who desire the survival of free unions and for management leaders who desire the survival of free management. For the result of failure to work out the means of *mutual survival* will not be the elimination of one by the other, but the elimination of both as free institutions by public regimentation. Never were the words of the sage more applicable than to all leaders of labor and management in twentieth century America, "No man liveth unto himself."

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